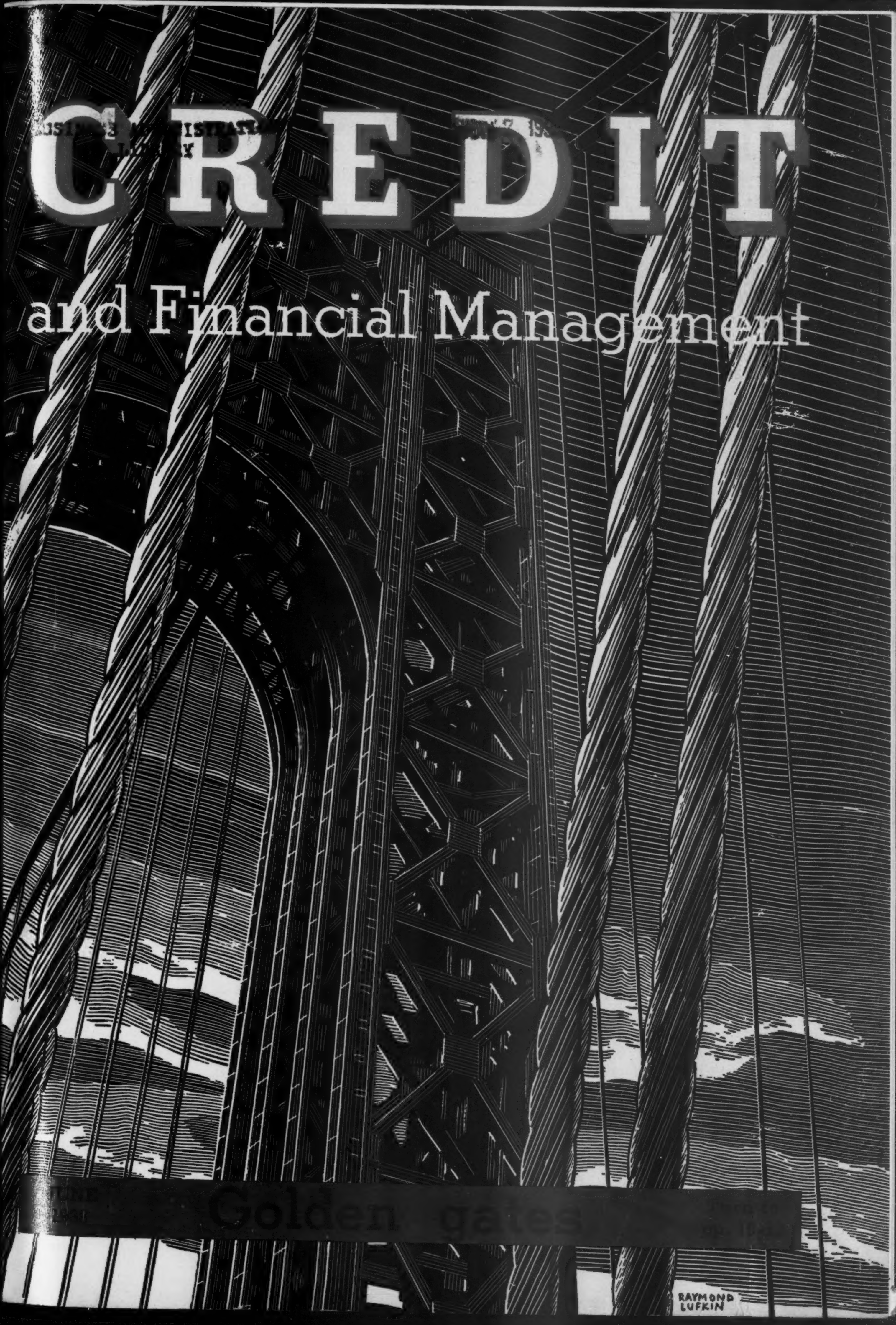
CREDIT

and Financial Management



JUNE

Golden gates

KALTENBORN EDITS SOME "NEWS" FOR DICTAPHONE

H. V. KALTENBORN... His first book, *We Look At The World*, was "written" entirely into the Dictaphone. Today Dictaphone helps keep him on top of a busy schedule as featured writer, lecturer, and radio news commentator.

An enthusiastic "Dictaphoner" himself, Mr. Kaltenborn was impressed, during a visit to our offices, by the *many types* of business men using Dictaphone, and by the *many reasons* for their praise of it. "It's a lot more than 'a modern dictating machine' to these men," he said. "Why not quote their letters in your ads? They're twice as interesting as anything *you* could say!" So we let *him* select a few to quote. If he's right, and they make you want more of the story of Dictaphone's usefulness and place in business today . . . just mail us the coupon below!

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Pennsylvania Indemnity Corporation, Philadelphia

"...hurries up handling of details—without slighting them...more time for thinking and planning."

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"...the greatest time saver..I told him..you have to go a long way to beat the Dictaphone.."

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G. W. PATTERSON, *Credit Mgr.*
American Cyanamid Co., N.Y.

"Correspondence on the double-quick..instant readiness to take memoranda..knock down details."

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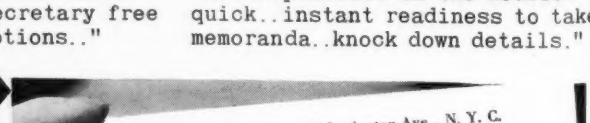

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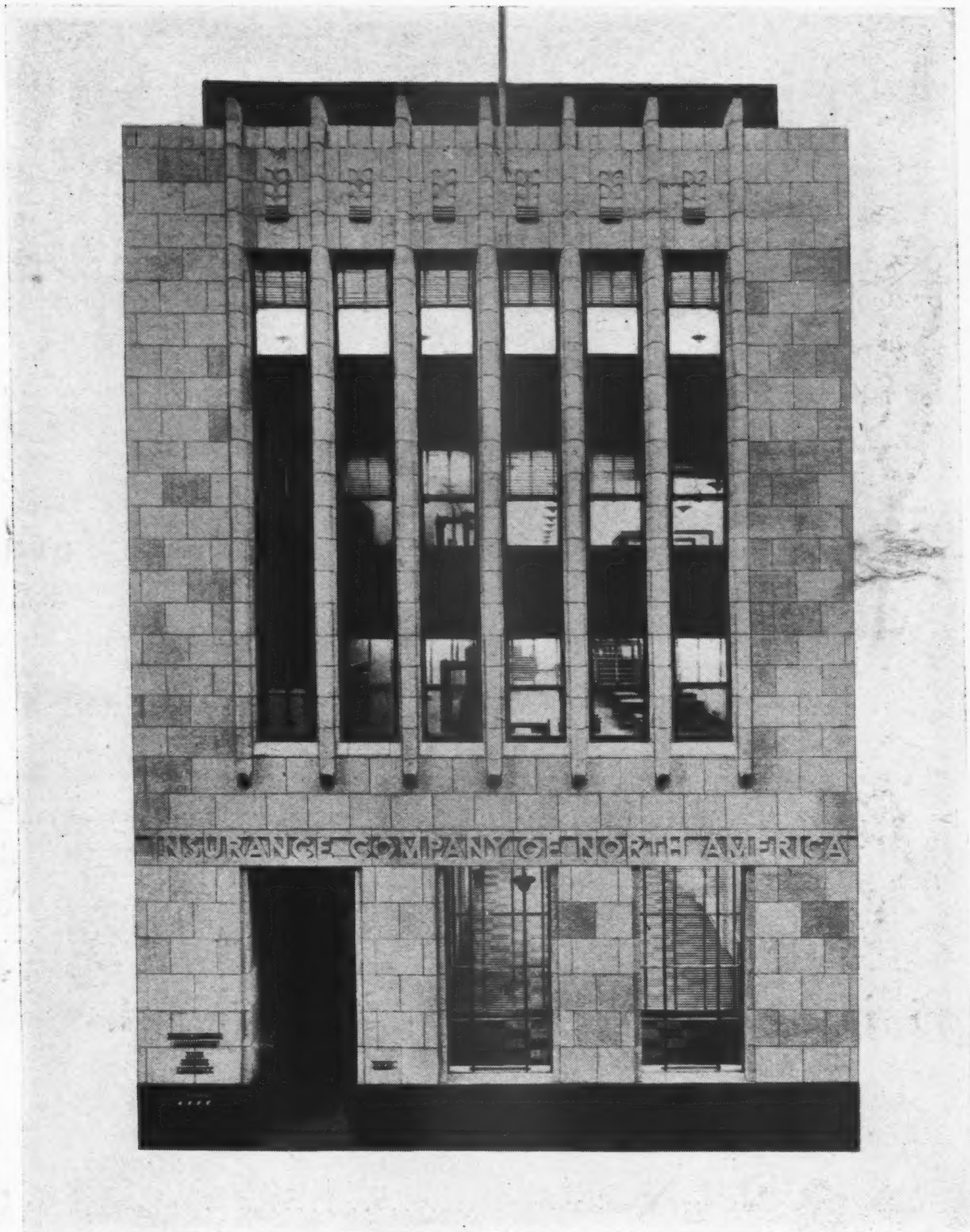
INSURANCE COMPANY OF NORTH AMERICA

CREDIT

and Financial Management

Contents for June, 1938

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Official Publication of the National Association of Credit Men

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Richard G. Tobin, Editor and Manager — **Paul Haase**, Associate Editor — **Clifford T. Rogers**, Advertising Manager

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"Squaring-up"

America was built by courageous men. Our pioneers never faltered in their industry or determination when they transformed a potentially rich wilderness into a civilized nation. Many were well along in years when they undertook the task. They were concerned not only in improving their own lot in life but also about the opportunities they could leave to their children. They made sacrifices and suffered privations in the hope that dividends from their effort would continue to flow long after they had passed into the great beyond.

The nation today needs to recapture some of that courageous, pioneering spirit.

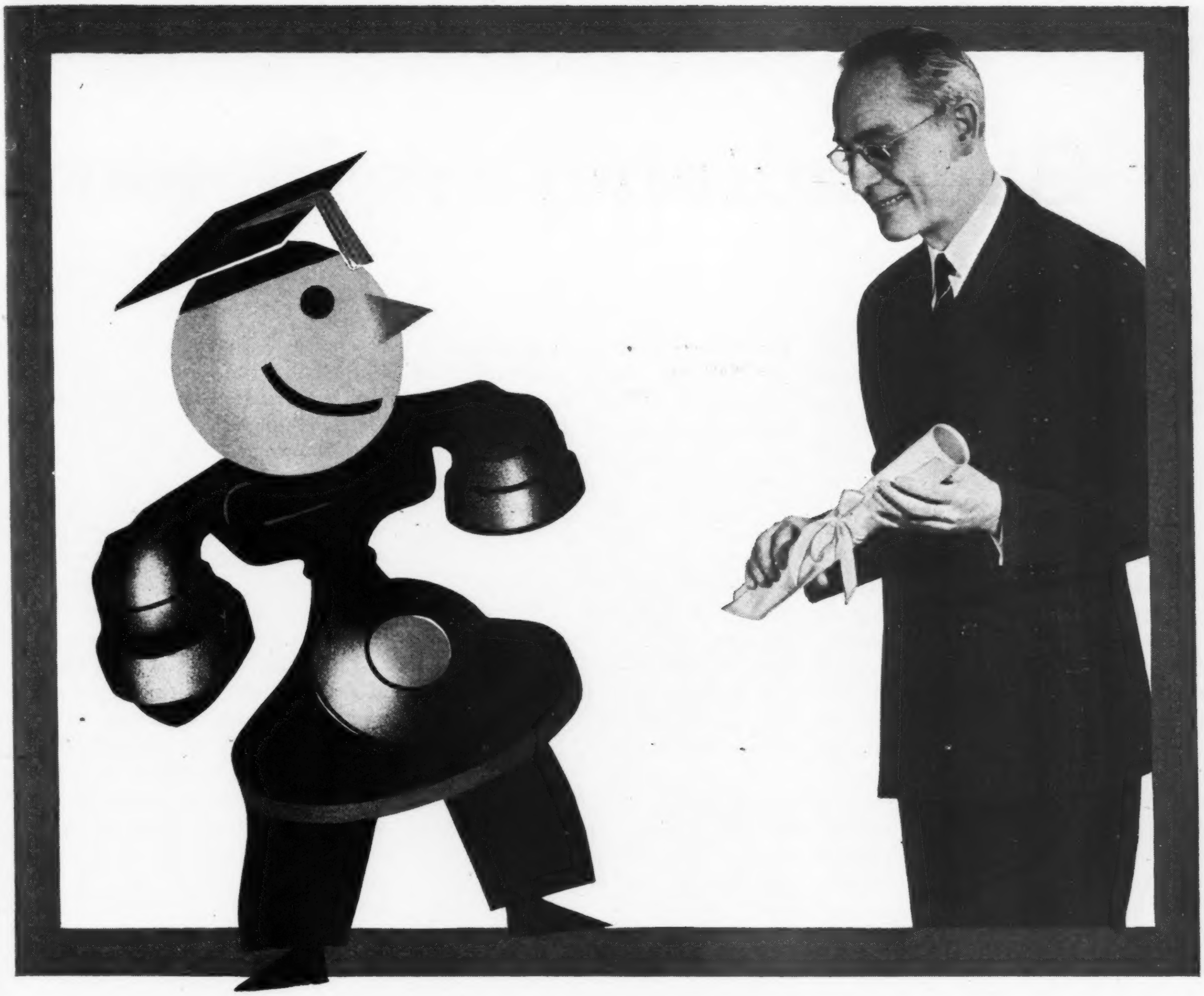
It is courage, not cowardice, to accept a reasonable governmental deficit to tide us over an emergency period. Such action indicates faith in the future. But the acceptance of a reasonable, temporary deficit should always be accompanied by a complete determination to make repayment as early as possible. To continuously accept annual deficits of staggering amounts, with seeming indifference to the need of repayment, is a mark of cowardice. It evidences a weakening of moral fiber.

As certain as night follows day, our national budget must soon be balanced unless we wish to confiscate all wealth. Are we too cowardly to face the situation? It does require courage to suggest that our deficits be cut and then act on that suggestion. Meet them by a reduction of governmental expenditures if we can, but meet them we must. And if we cannot reduce expenditures enough, then let us courageously levy taxes to pay our bills, irrespective of the tax burden this policy inflicts.

If we let no one who earns an income escape such taxes, perhaps such a courageous stand may stimulate a tax strike which would force governmental reduction of expenditures. But whether or not it did so, the willingness to "square-up" our bills is an obligation that the present generation must not evade. Loading more debt on the over-burdened shoulders of the next generation is unfair and uneconomic.

Henry H. Heimann

Executive Manager, N.A.C.M.



LONG DISTANCE GETS

DIPLOMA FOR DIPLOMACY

The Vice-President of a large southern firm says: "The collection of delinquent accounts is facilitated by the tactful use of Long Distance. Cancelations and complaints are also diplomatically adjusted by this means. Often additional orders can be secured on the same telephone contact." • Such tributes to the value of Long Distance are frequent from credit executives in varied businesses. There are ample reasons why. Long Distance is *rapid* . . . *direct* . . . *personal* . . . in every sense a "good-will ambassador." And cheaper than ever at the *present reduced rates.*

H. B. WRIGHT, Republic Steel Corporation, advocates

Streamlining credit work

During the past forty years credit men have accomplished a vast development in technique. We have seen the growth of Credit Men's Associations from small beginnings to bodies of great influence and importance in the conduct of business life.

The credit man must first of all be absolutely honest and trustworthy. His promises must be held inviolable at all times, as otherwise the whole fabric of credit structure would break down. Conversely, it follows that his agreements and promises may never be lightly made or given without serious consideration. He must have a broad, liberal education in addition to experience in his own vocation, including the friendly acquaintance of his fellow-credit men. He must have an analytical mind so that he can resolve problems into their component parts and recognize their essential elements. He must also exercise extreme thoroughness and be alert at all times.

According to "Main Street Meditations" a few days ago, a mother was backing her car down a street of slowly moving traffic. "If I hit anybody," she told her daughter, "you holler." "Why should I?" returned the daughter placidly. "If you hit anybody, they'll holler."

The credit man must be so alert, to be successful, that he can make his decisions and embark on his course of action before anyone "hollers," for by that time the damage has been done and it is too late. In other words, the doubtful account must have been kept under control long before Dun's pink slip arrives stating that "on January 28th the Smith-Jones Company was sued by the Brown-White Company for a past due account of $1,000, and the appointment of a receiver requested."

On the other hand, unless his company enjoys the unusual position of always receiving more orders than it can fill, the credit man must be "SALES-MINDED," anxious to expand sales whenever and wherever it can be done with a reasonable degree of safety, even though he knows ahead of time that the taking on of a certain account will mean a great deal of additional work for him and probably add a few gray hairs to his head.

It is necessary for him to exercise the most careful scrutiny of all information which is available on the subject at hand. He must possess self-control, forbearance and patience under trying circumstances. Not only must he be resourceful under unforeseen conditions, but he must be tactful at all times and pleasant and sympathetic so as to invite confidence. Still, he dare not be sentimental or easy-going, as it is necessary that he possess a judicial temperament and be level headed under all circumstances. He must not allow his sympathies to get the better of his judgment. Above all, he must possess the courage of his convictions.

Not long ago a credit man of my acquaintance was asked at 11:45 A. M. on a Saturday to approve credit on an order amounting to several thousand dollars from a concern which had not been a customer for several years previous. The salesman represented that the order was a very desirable one, but that the customer must know that very day whether it would be accepted on open terms. Such information as the credit man had on file indicated that the credit of the customer was decidedly questionable, and after considering the matter for a few minutes he told the salesman, "Well, if you cannot wait until Monday and *must* have a definite answer today, the answer is—*no.*"

On the following Monday he began to make a thorough credit investigation, in the course of which, thanks to his friendly acquaintances with the credit men of other concerns in lines of industry similar to his own, he learned that the customer was so far in arrears on his heavy indebtedness to his usual sources of supply that they had all refused to make further shipments until their past due accounts were paid. This credit man had the pleasure of entering that very order about five days later on the terms which he laid down—"one-third cash in advance with sight draft against bill of lading for the remainder."

The credit man must be a student, in that he must possess the ability to study such things as go over his desk. He must understand the principles of the best credit and collection correspondence. Many a customer has been retained or lost because of the wording of the credit man's letter under delicate circumstances. The Sales Manager can write the customer a letter, and if the price, goods, delivery and terms are satisfactory he need not worry very much about whatever else he says. On the other hand, if the credit man is writing to a customer the subject is ofttimes a "touchy" one and must be handled with extreme care. Good English does not make a good credit man, but a good credit man uses good English.

In this connection I am reminded of a church in a small town which became very much straitened in its finances—to such an extent that the Pastor's salary was unpaid for several months because the members did not pay their pledges. The Treasurer was a mild-mannered old gentleman who feared to offend the members by insisting too strongly on payment of their obligations.

The Elders finally decided that matters couldn't go on as they were and concluded that perhaps if they were to appoint as Treasurer a newcomer to the town he might have better success in collecting money. Accordingly, they selected a rather aggressive young man

to speed modern business

who was a newcomer to the city, and after he had occupied the office of Treasurer for a few months he succeeded in collecting enough money so that the Pastor's salary was paid in full and there was a comfortable balance in the treasury.

This, however, did not suit everyone, for one of the Elders remarked confidentially to a friend: "I'm afraid we'll have to make another change and get another Treasurer for our Church."

The friend replied: "I don't understand that. I was under the impression that this one had succeeded in collecting a lot of past due pledges and that for the first time in years the Pastor's salary is now all paid up and that you have a good balance in the bank."

"That's true," replied the Elder, "but he has so little education! He sends out the most awful letters! I know, because I got some of them myself. He spells "deadbeat" *"dedbete"*; "crook" *"cruk"*; "liar" *"lyer"*, and "skunk" *"skoonk"*.

The credit man must be rather well versed in psychology and should make a study of economics, which is the science of the principles of business. In addition to this he must, of course, have a general knowledge of accounting, banking, finance and currency and must be, to some extent, familiar with commercial law.

In the Credit Department of a large concern the work must necessarily be subdivided among a number of persons. In our department there is a Credit Manager, in general charge of the department, who is responsible to the Treasurer; there is an Assistant Credit Manager, who performs the duties of the Credit Manager in his absence, but usually a good deal of the work is divided between the Credit Manager and the Assistant Credit Manager.

The Chief Clerk has general charge of the office, the routing and distribution of mail, and in general lays out the work for various other members of the department. Then, there are a number of credit checkers or authorizers, who pass on the orders presented to the department for approval. The great majority of the orders need not

H. B. WRIGHT gives some valuable hints to credit departments.

go beyond these credit checkers for approval, but the unusual order—one in which there is a very definite credit problem involved—is naturally referred either to the Chief Clerk, the Credit Manager or the Assistant Credit Manager, or even, in some acute cases, to the Treasurer for final disposition.

In many companies collections are handled by the Credit Manager himself, but when the number of customers is too large to permit this, collections are usually delegated to a "collection department," consisting of one or more individuals who handle most of the correspondence and telephone calls pertaining to that part of the work and in some cases make personal visits in order to collect past due accounts. This "collection department" may be simply a branch of the Credit Department or, as in our company, it is a branch of the Treasury department. In any case, however, the credit men and the collection men must work hand in hand and always have ready access to each other.

In our company and in other companies with which I am acquainted, the collection department handles what may be termed "routine" collection matters. When the case is aggravated, as, for example, when an account becomes so old or the financial situation so precarious that some special attention is necessary, it is referred back to the Credit Department, which will handle it from then on.

If the account is given to an attorney, or if a creditor's extension or some form of insolvency takes place, a new folder is immediately started concurrently with the account being transferred to the "suspense" section of accounts receivable. The credit folder is then stamped "Caution! See suspense file." This new file is called the "suspense folder." It is kept entirely separate from the regular credit folder in the credit department and is handled by that department. In it are filed copies of proofs of claim, correspondence with attorneys, receivers, creditors, committees, etc.

By means of a "tickler" system it is brought out from time to time for the necessary attention and is kept alive until either the account is paid in full—yes, we *do* have some such cases in receiverships—or, as more often happens, the receiver or trustee comes out with the melancholy announcement "There are no further assets available for distribution to general creditors." The suspense file is thereupon marked "closed" and filed in a separate case from the open ones—those on which there is still a possibility of some fur-

ther recovery being made. Some of these suspense files remain open for years, but even after being closed they form a very convenient reference for looking up the history of an insolvency case.

Let's go back now to the more pleasant subject—the account which does *not* go into receivership, bankruptcy, or even become that latest foundling to be left at the door of the credit man—a case of "Reorganization under Section 77-B."

On "Automatic Revision", Mr. Wright says:

"When the credit folder is started, a card is at once made for the 'revision tickler.' This folder will then automatically be pulled out at the desired date, usually about a year later, for revision. Some accounts of course, need revision more frequently than once a year and in these cases we find the new INTERCHANGE AUTOMATIC REVISION a valuable service."

In any organization where the volume of orders is such that no one person can pass on all of them as to credit, the work of approving or questioning them must be divided in some way. In some concerns the division is simply an alphabetical one, the customers from "A" to "C" being given to one man, those from "D" to "J" to another, and so on. Other companies use a geographical division, which seems to be a more logical one for two reasons: The party handling all credit matters within a certain district can make personal calls on the customers much more readily and can also acquire a clearer understanding of local conditions than would be the case if his customers are scattered all over the world.

Still other companies—of which ours is one—divide the work among the "credit checkers," or, as we term them, "order passers," according to the product involved. This is because our company markets a greatly diversified line of products, the sales of which are handled by various sales divisions. Each credit checker, or order passer, is, therefore, in rather close touch at all times with certain divisional sales offices which handle that particular product. This system has seemed to us to be a more workable solution of the problem than to divide the customers up according to their geographical location.

Naturally, it frequently happens that the same customer will be buying products some of which come under the jurisdiction of one credit checker and other products which come under the supervision of another credit checker. Therefore, it is obvious that the closest harmony must prevail at all times between the various credit checkers, all of whom are located in one room.

One great advantage of this system is that generally more than one individual is familiar with the circumstances pertaining to any particular account. These men all have ready access to the control card, which I will attempt briefly to describe: This is really a letter-size folder, ruled on the outside in such a way as to permit the entry of each order as it is approved. The outside of the folder, therefore, shows at all times the date and number of each order as it is approved, the class of material and the quantity involved. Inside the folder there are filed carbon copies of the monthly statements of account, running back through the preceding twelve months.

In most cases, then, the credit authorizer can determine at a glance the approximate amount of orders recently approved and which have not yet been shipped. If a more exact determination must be made, it will, of course, become necessary for him to contact the Order Department and determine the exact amount of orders on the books unfilled and also to get in touch with the Accounting Department and determine the exact ledger balance.

Naturally, in the credit department of a large company it is necessary to have all the time-saving equipment possible. We use the teletype in communicating with our branch offices, and we also make use of inter-office telephones in communicating from one room to another. Dictaphones are in constant use, not so much because of any saving in the time of the operator but because we find that they are a great time saver for the party doing the dictating.

Our credit folders are filed by a numerical system, all names of customers being recorded on cards kept in a kardex file, showing the particular number applying to each customer. This credit folder, of course, contains mercantile reports and credit correspondence. It is our practice to analyze the financial statement, whether obtained through a mercantile agency or direct from the customer, so that a comparison can be obtained of the customer's progress over any given period. The credit folder not only holds all recent reports, but shows, at all times, just what mercantile reports have been ordered. It is a double folder containing, in addition to mercantile reports and financial statements and analysis sheets, an insert folder for credit and extra copies of collection correspondence.

When the credit folder is started, a card is at once made for the "revision tickler." This folder will then automatically be pulled out at the desired date, usually about a year later, for revision. Some accounts, of course, need revision more frequently than once a year, and in such cases we find the new "INTERCHANGE AUTOMATIC REVISION" a valuable service.

When a new name is looked up in Dun, a check-mark is placed against that name, thus indicating to the next observer that someone in the department already has it under investigation.

We carry a credit folder on each active account. When an account becomes inactive for two or more years, the credit folder is put in a transfer file, which is not quite so accessible as

the current file but is always available in case of need. Usually the credit folder is initiated before the first order is filled, perhaps when the first inquiry is received. At that time the usual mercantile reports are ordered, and in some cases references are consulted, financial statement analyzed, etc. This information is kept in a preliminary file, but as soon as an actual order from that customer is received, the preliminary file is made over into an active credit folder.

Every month all past due accounts are listed on what we term the "age statement," showing each account aged by months. A copy of this, as well as a complete list of notes receivable, is on the desk of the Credit Manager, Assistant Credit Manager and each credit authorizer. Every day the cash payments are listed on a sheet, a copy of which is circulated over the desk of each of these parties. Also, a carbon copy of each statement of account is kept in a binder in the collection department, accessible at all times to any interested member of either department. On some accounts whose financial situation is of unusual importance to us, we require the services of an expert accountant who is able to go over the books of a customer and make a complete audit. This expert accountant is a member of the department, but a large part of his time is taken up outside the office.

All the persons mentioned so far are obliged to maintain contact with customers, not only by correspondence and telephone but by personal calls. Naturally, most of the out-of-town calls are made by the Manager, the Assistant Manager or by the accountant.

In addition to the people listed above, there are, of course, several stenographers, dictaphone operators, file clerks, mail clerks, order clerks, etc., whose duties are about the same as those of persons engaged in similar work in other organizations. All incoming mail is stamped with an "INSTO" time stamp, showing the exact time mail is received in the department, and orders sent to us for approval are stamped both in and out so that there is a permanent record showing how much time is consumed by the credit department in approving each order.

Mercantile reports are all passed over the desk of each credit checker before going out to be filed in the credit folders. A carbon copy of every letter written in the department is bound up into a little booklet entitled "THE DAILY MAIL," and this also is circulated through all the credit checkers.

For certain warehouses where immediate delivery to the customer's truck is frequently necessary, we have "approved lists" containing the names of customers whose credit standing is unquestioned. This permits the warehouse manager to make immediate delivery to the customer. In some cases, of course, it is necessary to limit the amount which can be supplied without the specific approval of the credit department. Whenever an "approved list" is used, it must be prepared with extreme care and be kept under constant supervision.

In all systems it must be always kept in mind that when conditions change, it may become necessary, or at least advisable, to alter the system.

In the iron and steel industry, for example, it is noticeable that many epochal changes have taken place within the past half century, which has seen the origin and gigantic development of steel produced by the Bessemer, open hearth and electric processes to such an extent that the old-fashioned wrought iron has been largely supplanted in modern use. It has seen the changes in transportation from water (canal) to steam and electricity; from horse-drawn to motor-driven vehicles. It has seen the decrease in the use of steam and electric motive power by a corresponding increase in the use of gasoline motor power. In the case of utility power plants it has watched the usage go from steam back to water power and has seen transportation go from land to that of the air, and in some notable cases back to water by canal and river.

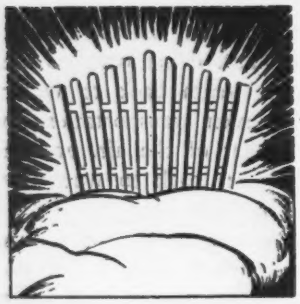
There are major trends, of which the above are only a few, in all industries, and these changes nowadays take place with a great deal more rapidity than was the case fifty years ago. It took the railroads over 25 years to change from wrought iron to steel in many of their specifications, while a modern automobile maker thinks nothing of making a much greater change within as many months.

When the horse-drawn vehicles, carriages and wagons gave place to autos and trucks, it meant that the vehicle maker was obliged either to turn to the manufacture of motor vehicles or some other product which was in demand, as some did, or else gradually drop out of business, as many more concerns did.

So the Credit Department must be quickly adaptable to changing conditions—changing not only insofar as it concerns what you sell and to whom you sell it, but what to the credit man is necessarily more vital—the effect of market changes on the financial condition of some particular customer or group of customers. The credit man must be constantly alert to the trend of affairs, to all major changes taking place in various lines of industry and in financial and economic conditions.

"Approved List" for frequent customers

"For certain warehouses, where immediate delivery to customer's truck is frequently necessary, we have "approved lists" containing the names of customers whose credit standing is unquestioned. This permits the warehouse manager to make immediate delivery to the customer. In some cases, of course, it is necessary to limit the amount which can be supplied without the specific approval of the credit department. Whenever an 'approval list' is used, it must be prepared with extreme care and be kept under constant revision."



Golden gates

by HENRY H. HEIMANN,

Executive Manager, N. A. C M.

Ninety years ago the world was stirred with news of the discovery of gold in California. The lure of gold has always quickened the imagination of people. Over the prairies and across the mountains, in sailing vessels "round the Horn" and through the "Golden Gate," humanity poured in search of gold. The hardships, privations, struggles and disappointments of these adventurous groups form a dramatic chapter in the history of the United States. The gold rush marked the real beginning of our western empire.

Only a few were successful in their search for the yellow metal, but there were many who, keenly disappointed with their prospecting failure, did not turn back. Resolutely they stayed on. Through industry and perseverance, in time they gleaned a golden harvest. The golden gates to the promised land, which for a while seemed a mirage of disappointment, proved real. The productivity of the soil, the unsurpassable port facilities, the great forests, the black petroleum of the earth endowed a more lasting prosperity than the nugget-laden streams or the gold-flecked sands.

Neither bank failures, real estate booms, fires nor floods could for long divert these people, who had trekked across a continent, from attaining the security they sought. In the fiesta spirit so common to this section of the country, the hardships and struggles, the privations and the sufferings were forgotten. Their personal industry gave them courage and confidence. They learned that neither natural nor economic law fail in their rewards to to those who have the will to work and the patience to persevere.

The golden ideal of security is held within the breast of every man. It is the driving force of civilization. And well it is that this is so, for what greater aim can there be than a better world in which to live?

Recorded history is largely an account of repeated efforts to develop that condition of plenty, peace and happiness which we are still striving to reach. But history is also replete with instances of misguided ambition, of lost hopes, in the innumerable attempts to attain that state—attempts proving failures because of false programs. If the past teaches us anything, we should note that whenever man has sought to attain security without adequate compensation of personal effort he has failed. Indeed the price of security is the practice of the homely virtues of labor, thrift, charity, patience and self-respect.

Reprint

In the April, 1938, issue of "Office Management," this Canadian publication reprinted the article by Morris Bernhard on the credit side of personal loans which appeared in the February issue of "Credit and Financial Management."

Our ambitions and problems today are the ambitions and problems of the ages. Basically, there is little historically new in our condition. Situations like ours have confronted many nations before. In the history of Carthage, of Rome, of the flourishing cities of Italy during the Middle Ages, of Holland, of England, and of Germany you will find a strikingly similar duplicate of our present economic adversity and the resulting impasse between government and business.

The peace and tranquillity of a people, however, depends to a large degree upon the form of government and the type of administration. The first signs of disturbance within a nation are apt to occur when it is involved in an economic shift. History records the maladjustments when a grazing land becomes a cultivated farm land, when cities gain dominance over the farms, when industry outranks agriculture. In the transition to an industrial country, population concentrates in urban communities, bringing with it the social problems so common to this age and every other age in which there has been a change in the manner of living.

In the field of labor, in the early days of the evolution from an agricultural to an industrial country, child labor, sweat shop conditions, long hours, inhuman treatment, were too frequently prevalent. One need only go back a century to witness in Europe the wholesale employment of children so tender and young in years that it seems difficult to understand how human beings could have been so heartless. Farmed out like convict labor, working too many hours a day, allowed no recreation, with poor food for their emaciated bodies, these children were in virtual slavery. Even in our own nation some of our earlier citizens indicated, in their plea for a shift from an agricultural to an industrial nation, that such a development would make it possible to take our children off the streets and put them to work in the factory.

It is this dark first chapter in our industrial evolution that causes us untold difficulties, now that we are completely industrialized. A tradition of unfair treatment of the mass of people grows to greater size over the years and when they rise to power, they cause the pendulum to swing to the other extreme. Then follows an equally in-

tolerant attitude on the part of certain irresponsible labor leaders who seem to take delight in spreading the doctrine of hatred for fair-minded industry of today because of the sins of the industry of the past. At the moment the exploitation of the mass of workers by irresponsible labor leadership is the great American racket.

When irresponsible labor evangelists depict workers as being downtrodden and portray industry in the unattractive role of a Simon Legree, many people forget that almost every state in the union now has legislation regulating the employment of children, that child labor has been largely eliminated, and that working hours have been reduced by a third.

A century ago about three-fourths of our people were gainfully employed in agriculture. Today about 25 per cent are so employed. This, in itself, indicates the sweeping changes that have come over our land.

The pattern of our present-day business problems is much like that in the past. Industry expands, reaches out for more power, grows in size and influence. Soon a condition develops in which the forces of competition make it difficult for industry to secure an adequate return upon its capital. At that time only a few industrialists may move towards a standardization of price and an interlocking of management but these acts quickly bring down the hand of governmental regulation. A few narrow and selfish business leaders bring on a program of regimentation by government. It may express itself in such a form as our National Recovery Act, a movement that has historical parallels in many countries down through the centuries. It may take root in anti-trust laws such as Germany attempted in the past century and we in the early years of the present century.

Instead of calmly analyzing the factors which have brought about our condition and re-building along sound lines, efforts are made through panacea acts and catch-phrase laws to maintain an uneconomic situation on the one hand, or through "crack-down" methods to force fearful compliance by business on the other.

The spirit that motivates such governmental policies is understandable. It may be observed, however, that it is better idealism to attempt to reach ideal conditions through practical measures than by artificial and necessarily temporary expedients that cannot and do not last. It is these attempts that then bring the government to steps such as spending programs, plans to redistribute wealth, or sometimes confiscatory inflationary programs. Repeatedly in the world's history these plans have been tried. Always they have failed because of their lack of fundamental soundness.

The men and women of this nation must learn to understand the basic difference between an emergency hypodermic and a constant resort to injections. The one may aid in a crisis; the other makes a new crisis inevitable.

In abandoning the old order of things the present age seems to justify its acts by the false doctrine that "new situations demand new remedies." In our own case the passing of frontiers is used as an irrefutable argument that we no longer have the same opportunities to overcome a temporary period of adversity. The mind that conceives this situation limits frontiers to geographical sections and fails to realize that a nation as young as this could not possibly in a few centuries exhaust its frontiers.

Our frontiers are only limited by the practical imagination of our people, the restrictions of invention and science, and the ultimate attainment for all of that high standard of living so desirable for our people. Here then are limitless frontiers.

Too often adverse periods develop uneconomic philosophies of despair. In illustration, there is today a feeling among our people that, perhaps, we have reached our peak, that from this point forward life will not be what it was in this country. Our mental appraisal of our own country is not up to par. Too many of our problems seem insurmountable. A fear psychology has gripped our people.

And we must not be unconscious of the fact that the soil of continual fear made ideal ploughing for the European dictators as they raised their bumper crop of hate, mistrust, and cruelty.

But how senseless such an attitude! How blind to realities elsewhere is this state of mind! Is it not true that the world in general appraises our nation much higher than our own detractors? Are not we in self-defense forced to put up immigration bars to keep out the vast multitude who would make this country their home? Isn't it ridiculous to discount opportunities here when the hope of countless individuals in the world is to put their feet upon our shores, that they may share in the opportunity our country affords?

A nation, it appears, is not without prophets, save in its own country!

The so-called "60 families" of America is but an echo of similar charges that have been heard in bygone days and other lands. In Rome it was charged that 2,000 people owned the nation. In France some critics said 200 families had a first mortgage upon that country. In Germany 3 per cent of the population was reputed to control over one-third of the wealth.

I am not arguing whether or not these conclusions are accurate nor, if they are accurate, whether or not they are adverse to public policy. But human nature being as it is, we must realize that, to some degree, rewards will always tend to go to the industrious and the ingenious. You cannot standardize human nature, neither can you fully equalize human possessions. Were it possible to redistribute wealth so that each of us would be possessed of a like amount, almost as soon as the redistribution had been effected the relationship would have changed for there is no static condition in human affairs.

The homely motto—"shirt sleeves to shirt sleeves in three generations"—attests fully to the fact that distribution of wealth is not and cannot be static.

R F C loans for business

Circular number 13, revised, has been issued by the Reconstruction Finance Corporation to provide information regarding loans to business enterprises. Copies are available from the United States Government Printing Office, Washington, D. C.

The circular lists requirements, terms, conditions, purposes, eligibility, security, solvency, charges, salaries, dividends, audits, bank-cooperative loans, security purchases, information to be filed and method of filing, loan agency locations, as well as the Congressional Acts applicable to this type of loans.

There can be no doubt that the eventual objective of a wider distribution of wealth is desirable. It is equally true, however, that if wealth has been concentrated too much in this country it represents a condition that has developed over a century. If we face facts courageously we must conclude it is ridiculous to assume that the factors of a century can be reversed in a few years without plunging everything into chaos.

If we agree that more evenly distributed wealth is essential to insure the greater comfort, peace and happiness of our people, let us develop a program that will accomplish this over the years with the least discomfort and the least possible interruption to our normal economic forces.

In this desire to discover a better way of life by adherence to fundamental means of recovery, our minds need not be prejudiced. We must recognize new forces present in an old economic problem. Nor should we cast aside new methods of dealing with our economic problems, so long as the new methods are patterned upon tested fundamentals.

Unbalanced budgets, causing a lack of long-range confidence, have bunkered the durable goods industry in its effort to reach the recovery green. If the durable goods industry were operating as it was in the 20's, millions of our unemployed would be at work.

Why is the durable goods industry the laggard in our recovery? Why did it fail to come through? Ask yourself under what conditions people build houses, buy machinery, erect plants, expand their business. Only when they feel safe, when they can see a profitable employment of capital. There must be reasonable certainty that an investment is going to give a fair return. But how can there be when budgets are unbalanced, when unwarranted labor demands are ever-present, when industry is guilty before it is tried, when the favorite sport of the time seems to be condemnation of business.

Assume, despite all this, that there are men with a sort of berserk courage who dare to build. With what will they build? The durable goods industry moves forward on capital secured from bond and stock issued and from long-term loans. Find a man who, through thrift and industry, has accumulated money, who constantly sees an unbalanced budget, who knows anything of financial history. Is he willing to buy bonds with a dollar of present purchasing power, not knowing what purchasing power will be repaid him when the bonds mature? Where is the man who is certain the dollar can be held good for a period of fifteen or twenty years when year by year billions of dollars are added to national deficits? Show me the man who will contract for a four year construction program when he doesn't know that his labor rates will hold firm because some irresponsible business agent may, on the slightest pretext or without pretext, call a strike or make a demand that cannot be met?

Why is the durable goods industry the laggard in our recovery? I have given you some of the reasons, but there are others. Suppose an industry were willing to re-invest its earnings. The undistributed profits tax in effect during the past two years rather definitely discouraged such action for it implied that it is wrong to save for a rainy day. Hold a portion of earnings for expansion purposes and you pay a penalty in increasing proportion as your policies tend to aid re-employment and recovery by re-equipping, expanding, or otherwise investing your money in durable goods.

Fortunately, this condition has been largely corrected even though the uneconomic principle underlying the tax still remains and an increase, consequently, is always a possibility.

Why is the durable goods industry the laggard in our recovery? Consider the capital gains tax. Why should men effect transfers of assets when, if profits ensue, the reward for their judgment and patience is represented by an added tax burden that cancels out the greater part of their gain. There will be very little capital gains to tax if the tax is in reality a confiscation of gains. Why should men try to realize gains? Is it not better to hold the assets, hoping that some day this punitive tax will be revised or repealed?

Why is the durable goods industry the laggard in our recovery? One important contributing factor is the lull in expansion by the utility industry. And the lack of new activity is easily understood despite the fact that the expansion possibilities in this field are vast. The utility industry is stymied by threats of government competition. Would you plan an extensive program when a subsidized competitor nearby can undermine your status? The answer is obvious.

In fairness, we must admit that in the past certain utilities have resorted to practices which cannot be condoned. But we must not indiscriminately resort to present penalties for past malpractices. The better utility managements realize the import of the wrong actions in the past of men within the industry who were without ethics in their activities. And they are sincere in their frequent expressions that, insofar as possible, the industry will curb a repetition of these practices.

Some logical solution of the utility-government impasse is essential if we are sincere in our recovery efforts. There comes a time when the general welfare of our people transcends the welfare of either private utility management that will admit of no errors in the past and of government spokesmen who condemn an entire industry because of the conduct of a few.

The public demands a compromise so that the industry can move forward. Responsible utility legislation is essential and no man should expect the gov-

Tax studies available

During the past two years, the Twentieth Century Fund has made intensive investigations of taxation, big business, national debt and government credit, old-age security, and other current economic problems. Special committees in charge of each survey have drawn up programs and recommendations for action which are published with the research findings. To provide opportunity for more widespread discussion of these vital questions, Public Policy Bulletins, and leaflets based on the complete reports, have been prepared. These supplementary publications are available upon written request without charge. In addition a series of twelve informative poster-charts is available at a nominal rate. Write for further information to the Public Affairs Assistant, Twentieth Century Fund, 330 West 42nd Street, New York, N. Y.

ernment to yield that right. But government competition on an unfair basis should not be permitted. It is wrong to waste taxpayers' money in dam constructions for electrical development purposes, in competition with private industry. Such a development may well make unsound both investments. In the end it can only mean duplication of effort, loss of capital, and added burdens upon the consumer or taxpayer. . The durable goods industry is waiting to fill real needs that will not be filled until there is a solution to the utility-government problem.

The golden gates to the promised land of nationwide electrical usage are definitely locked. The key is a compromise between government and private utilities.

Why is the durable goods industry the laggard in our recovery? Let us turn to the field of housing. The shortage here is appalling. But houses are not being built. Why? One part of the answer, not the whole answer, is rigidity of costs. The high wage scale in the building industry, *on an hourly basis*, sounds attractive. On a yearly basis, it brings into play the full forces of the law of diminishing returns. It is no secret that bootleg rates have resulted through recognition of the necessity of compromise. But people are not likely to invest in an enterprise where, to keep costs within reason, they must resort to bootleg agreements.

The time has come for the mechanical trades to boldly demand of their labor leadership a reasonable annual return. Coupled with this is the need of more flexibility in some material costs. Until these issues are solved, sound recovery in the housing industry will not return.

And so we see, in this necessarily brief survey, that the durability of the nation's prosperity is dependent upon the prosperity of the nation's durable goods field.

When the "men wanted" signs appear over the doors of the durable goods industry, the breadlines in the nation's streets and the red lines in the nation's ledgers will be one with the snows of yesteryear.

Nor will the golden gates to the promised lands be opened by "soaking the rich." Who is it that is paying and will continue to pay for our spending? Who bears the brunt of unemployment, of heavy taxation, of artificially low interest returns, of government regulation beyond reason? On whose shoulders does the growing bureaucracy rest? There is but one answer—the middle class.

No greater fallacy exists than the belief that the average man does not pay the tax burdens. Indirect taxes do not spare the scant purse. Men are turned back at the factory gates because of the result of programs designed for their benefit.

"Soaking the rich" is a Lorelei theme. It lures to destruction the vessel and the voyagers.

Better wholesaling

"The wholesaler always has been and is today, I think, the world's worst advertiser, the world's worst propagandiser," Chester A. Credier, Butler Bros., Chicago, declared recently before the National Association of Woodwork Jobbers. "I do not like that word 'propagandiser' because it has a rather unhappy connotation—but I use the word in its happier implication. 'Educator' is a better word than 'propagandiser.'

"Apparently, the jobber has not understood the importance of public relations; the importance of creating a favorable public reaction so that there may be a more honest appraisal of the strategic part he plays in the scheme of things. For twenty-five years you and we sat by and listened to the wise ones saying up and down America, for instance, that the little independent dealer is going out of business and, of course, the wholesaler will follow because he shall have no function to perform. Little was done to combat that thinking.

"It was in the middle of 1928 that the leaders in our business gave lodgment in their minds to a new type of thinking. They recognized the fact that if the wholesaler was to go ahead, it would be in direct proportion to what he did to enable his customer to go ahead. That was a significant change in thinking. It resulted in a three-planked platform:

"First: Sound, modern wholesaling rests upon a sincere acceptance of the belief that the independence of the wholesaler and of the retailer are identical and that the two must cooperate if either is to remain in business at a profit.

"Second: Sound, modern wholesaling accepts the principle that all sound, modern merchandising is aimed at the consumer and starts by asking what article he wants and what price will he pay.

"Third: Sound, modern wholesaling accepts the principle that promotion in the broad sense is part of modern merchandising.

"That platform compelled a complete reorganization in this great business. That business had always endeavored to render an outstanding service to its customers but now they began to devote brains and energy and millions to the development of a new type of service which, when used by the independent, enabled him to function alongside the smart, professional, aggressive chain organizations.

"First of all, we as jobbers will accept the fact that the wholesale function is present in all forms of distribution, no matter what you call it, and that the logical and most economical way of performing that function is through a wholesale organization which effects great economies by doing the job for an army of producers on a cooperative basis under one roof.

"Secondly, we will accept the proposition that we can make ourselves absolutely indispensable to the industry which we represent and to our customers.

"Third, we will devise ways and means of building a program based upon a type of service such as we have never dreamed we could render to our customers. But we cannot begin to give them the service they need until we know intimately their problems."

News vs. history

The only difference between history and current events is a matter of time.

History—last month's newspaper,
yesterday's market quotations,
the financial statement of January 1st,
six months' old ledger experience information.

Current Events—today's newspaper,
today's market quotations,
Credit Interchange Reports.

Income accounting and the base-stock inventory

by ROSS G. WALKER, Professor of Accounting, Graduate School of Business Administration, Harvard U.

(*This concludes the series of two articles by Professor Walker which began in last month's issue.*)

The Opposition:

The opposition to the principle of base-stock inventory accounting has of course been largely that of well-settled authority, and for that reason has been little more than a condescending frown of disapproval. Even with this, it is commonly the vaguest sort of disapproval. There is a rare instance or so in which the writer or speaker has attempted to attack certain of the fundamental premises or suppositions of those who favor such accounting, such as the idea of the involuntary commitment in the basic inventory, or the theory that inventory gains and losses may be presumed to be offsetting over the years. But the case is rarer still in which the opponent carries his argument through to a logically satisfying conclusion.

The usual statement is a mere kind of negative gesture, or a clear begging of the question. Aside from this, it is almost always hard to tell from what is said in opposition to the base-stock idea whether the writer or speaker disapproves of alleged facts as to inventory operations, or whether, accepting such facts, he nevertheless cannot accept the alleged meaning of such facts in the light of admittedly good accounting practice.

Opposition opinion, however, runs to such contentions as the following: Base-stock accounting covers up the natural varying facts of business operation; it is the function of the operating statements to show these variations; if these variations are not reported, management will not have the proper clues to corrective or offsetting action, nor will the investor have the proper means of judging risks peculiar to the reporting enterprise; these variations, at any rate, are not legitimate matters for the accounting statement, but rather for managerial inference, as reflected in dividend policy and in the general administration of surplus earnings.

For another charge, it is said that the standard conventions of accounting, now well understood (and correctively interpreted) by the business community, should be left alone. Again, the statement is made that, while in an economic sense inventory and machinery are both capital, the inventory is for sale, but the machinery is for use — the investment in the machinery is fixed, whereas the investment in inventory or in any part of it is frequently changing.

What has been said about opinion opposed to base-stock accounting holds broadly for the rulings of the Treasury Department in administering the law which requires the taxpayer to use a method of accounting that "clearly reflects his net income," or words to that effect. But in few of these rulings of the Department, or of any of its adjuncts, has it been possible to find any notable attempt to define just what this net income is that is supposed to be taxed, or precisely what it means clearly to reflect such income.

In the Kansas City Structural Steel Company case, II B.T.A. 877, the Board of Tax Appeals spoke as follows:

> *. . . The effect of the minimum inventory method is to assign all profits and losses to the year in which this minimum inventory is liquidated. In fact, however, each sale or exchange of the individual items of the inventory is a realization of taxable profit or deductible loss in the year in which it occurs and a method of accounting which disregards such realization does not truly reflect income. . . . It is taxable when realized. The practical result of the use of this method of inventory is to offset an inventory gain of one year against an inventory loss of another year rather than to assign to each year its true gain or loss. Its use arises from a desire to play safe and provide reserves against possible future losses. . . .*

One might remark that this quoted passage at least does the service of restating the proposition to be argued; viz., that the first-in-first-out basis of computing income is the proper basis of measuring realized net return for the going concern. At all events, those favoring the base-stock method would certainly take the position of questioning whether or not income measured on the conventional tax basis is actually reduced to realized terms for the continuing enterprise, at least to the extent that the inventory (viewed in its financial, as opposed to its physical, aspects) constitutes a permanent commitment. What *is* realization for the typical going concern? And of course the point about offsetting an inventory gain against an inventory loss is simply a statement of the objective in the very terms of which the base-stock method has all this time been justified by its proponents.

So far as the opposition to base-stock accounting specifically questions the central fact of the existance of the involuntary commitment in inventory, this discussion can have little to say. The same is true where the talk is generally to the effect that such a commitment is not an important factor in income reporting, or, at any rate, that this commitment is not anywhere near so important a factor as alleged.

Suffice it to say, for present purposes, that a number of important companies appear to accept without reservation the fact of basic stocks, leaving only the question of the specific practical measurement of these stocks in a particular case. Then, too,

facts have a way of speaking for themselves, and a contention that is based on false facts necessarily collapses of its own weight.

As regards the charge that inventory gains and losses in going concern operations are not offsetting, even granting the theory of basic stocks, this much is to be said: That it would doubtless be a failure on the part of management ever to assume that a given change in inventory valuation reflected also a conclusive change in net worth; that the burden of proof as to the conclusiveness of such a change would appear to rest upon anyone who would account for it as any kind of gain whatsoever.

But for the bulk of vague charges that base-stock accounting is misleading and artificial, without reference to underlying assumptions as to fact or to fundamental criteria of income measurement, and in so far as the alleged conditions favorable to the base-stock interpretation do actually exist, one cannot help observing that the opposition has something on its hands to make its position convincing in the face of much that has been said by those who would abandon the first-in-first-out convention.

There is no thought in anyone's mind, of course, that purely speculative stocks legitimately call for special treatment within the conventional practice of accrual bookkeeping. An attempt has already been made to define broadly what is meant by speculative stocks. Accounting for the gains or profits realized from trading in such stocks as measured on a strict first-in-first-out basis, is entirely in harmony with the intentions of the business man who takes steps to make them his. He acquires speculative inventories without reference to immediate operating needs, for the very purpose of successfully riding a favorable movement in prices.

And it makes no difference whether the commitment is long or short. If the profit or loss is omitted as it arises, such omission is wrong on all counts. In the very nature of the case a speculative commitment must in due course be liquidated. And to fail to report speculative results as they appear would be seriously to mislead the reader of the income statement who would have them tied up concurrently with the management responsible for them. Such results have specific and independent current significance. Offsetting speculative losses against speculative gains would indeed constitute an unwarranted and artificial "smoothing-out" of operating performance.

As for inventory gains and losses connected with non-speculative stocks, however, serious consideration should be given, it seems to the writer, to one or two thoughts in particular which are suggested by the base-stock argument.

It seems reasonable to say that the offsetting of inventory gains and losses has an analogue in the accountant's interpretation of purely seasonal reports on operations, which interpretation leads him generally to insist on statements which iron out fluctuations of the seasonal character. The accountant appears to take the seasons as mere positive and negative phases of the completed year, in terms of which operating reports would have a clearly misleading speculative significance.

The reader is already familiar with the objections to the quarterly reports that have been proposed for corporations listed on the New York Stock Exchange. Could not one well contend that the natural fluctuations of the calendar years have no more virtue in them than the fluctuations of the seasons, in that the years themselves are but kinds of seasonal phases of a whole cycle of ups and downs in price?

Further, is it not sensible to argue that the fluctuations in the values of operating properties to which the business is unavoidably committed as basic necessities of enterprising do not constitute admissible data in the measurement of periodic net income? Or, again, should a concern that cannot hedge against unfavorable fluctuations in the price of a basic raw material that is sensitively related to the price of final product be denied in its income account a correction supposedly available to a concern which has recourse to a highly organized futures market?

It is sometimes charged that covering up these fluctuations obscures the signals for corrective managerial action. This charge justifies only the comment that these up and down movements are, by definition, not correctible. And one finds very little in the way of real merchandising significance in a profit margin measured from an inventory base that may be more than a year old.

In any case, one would like to argue that after the correction for paper gains and losses the income account remains, instead of the emasculated artificiality of those who oppose such a correction, even more truly indicative of the variables which the investment or credit analyst has in mind when he reads financial statements. It would be interesting to try to show that variations in reported income owing to admittedly faulty accounting are in no real respect less objectionable than those growing out of the inclusion of naturally offsetting price movements which are merely incidental to continuing operations.

Should not such sources of variation in the annual report be sharply differentiated from independent plus and minus changes in operating results having presumably no contrary future event of exactly the same parentage to offset them? Such differentiation would not mean a mere arbitrary smoothing out of the true operating return of the conventional report, but a clear-cut challenge as to the fundamental validity of the accounting basis used in that report. If it should be taken to mean an artificial stabilization of reported income, then it would constitute such a stabilization in no different sense from any other correction of improper accounting that is designed to reallocate reported income over the years.

Of at least equal force appears that form of base-stock argument which emphasizes the inventory as essentially a fixed property like a building or piece of machinery, and which would automatically correct for inventory gains and losses just as if the reporting concern had no need of basic stocks and could acquire its merchandise hand in hand with the act of selling. And especially attractive is the contention that, quite without regard to the inventory, selling operations are properly to be measured by reference to the replacing of merchandise sold,[1]

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[1] *This suggests an interesting point. One may argue that operating a manufacturing business has no essential affinity to speculation in basic materials of processing, except in the broad sense that investment inevitably implies the possibility of loss or gain in final liquidation, and that price movements mean changes in the practical*

with sales and costs interpreted in harmonious concurrent terms, and with net income constituting an expression (so far as possible) of the current contribution to long-run cash returns. This conclusion ignores of course the question of the lag which may exist between actual replacement cost of goods sold and replacement cost viewed as strictly "concurrent" with sales.

But whatever the real merits of these attempts to round out the essentials of the argument for base-stock accounting, it would nevertheless seem that the perplexing problem of inventory gains and losses deserves something more from its opponents than the characteristic vague charge that it is not good accounting.

After all, the amounts involved in reported earnings are not trifling matters. And where inventory gains and losses do tend to be offsetting, one can find little fairness in leaving the accounting for them for critical points in the business cycle to mere inference on the part of stockholder or creditor. Moreover, the support of base-stock accounting is of a competent sort, to say the least, offering opinions that cannot be ignored by those genuinely concerned with reducing the margin of error in income reporting — opinions such as the following:

> *Variations in the price of such "normal stocks" are as immaterial from year to year as variations in the price of the land upon which a plant is situated. Therefore a Metal Stock Reserve has heretofore been created to prevent the trend of the current income from being clouded by ups and downs, from time to time, in market quotations of "normal stocks."*[1]
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> *. . . This apparent profit in the constant minimum inventory which must be maintained to carry on business can never be realized, and experience has shown that it is ultimately wiped out when the economic pendulum swings in the other direction. Sound accounting requires the building up of an adequate inventory reserve during periods of rising costs to offset the inevitable inventory shrinkage during periods of falling costs and prices. Recognition of this fact has been largely responsible for the Company's ability to weather the several economic crises in its history, and this policy will be continued.*[2]
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> *The leveling of inventory gains and losses, with the comparative stability of yearly profits which this method brings about, tends to develop a feeling of confidence among both the stockholders and the creditors. It also exerts a subconscious effect upon business policy which is very desirable. Prices of manufactured articles are kept in more proper relation to prices of raw material. The management is not elated by apparent profits or depressed by apparent losses. Such elation and depression are responsible for most business follies. The normal stock inventory automatically creates a reserve that strengthens the basis for credit, gives stability and makes expansion safe. . .*[3]

significance of concurrent demand for products. Operating a manufacturing business consists in rendering a service—a service of raw material conversion and of effective marketing or distribution of final product. And the importance of this service is properly measured in non-speculative terms, current results against current costs. In some industries confusion of these speculative and non-speculative factors leads to highly erroneous conclusions on the part of the stockholder. Cf. the following excerpt from an article in The Wall Street Journal *for February 11, 1938, dealing with reported operating results for General Cable Corporation for the year 1937:*

"The price of copper at any given moment is immaterial to the makers of cable and wire, because they consider themselves a service for changing electrolytic copper from the raw material to the finished power line. Their net profit comes from the manufacturing process, regardless of price. However, movement in the price affects them to the extent that they must raise or lower their price for finished products accordingly. Undue fluctuations in raw material prices, such as occurred in copper from March, 1937, to February, 1938, subject the wire and cable maker to substantial difficulties in the operation of his business. Net profit on business during the decline is cut, and at the same time the cable maker's customers are inclined to slow up their buying when they see that price trends are lower."

[1] American Smelting & Refining Company, Annual Report, December 31, 1936.
[2] International Harvester Company, Annual Report, December 31, 1934.
[3] "Inventory Valuation and the Business Cycle," by H. T. Warshow, III *Harvard Business Review* 1, October, 1924, pp. 25-34.

Credit-sales survey information is confidential under new law

S. 2940, a bill introduced into the Senate to make confidential certain information furnished to the Bureau of Foreign and Domestic Commerce, was recently passed by both Houses and approved by the President.

This bill provides that information furnished by private firms or corporations in confidence to the Bureau of Foreign and Domestic Commerce, shall be held by the Bureau to be confidential and may be used only for the statistical purpose for which it is supplied. The bill is designed to protect business enterprises from having their trade secrets laid bare to competitors while at the same time permitting a government agency full access to such records for the purpose of preparing valuable statistical information. This bill forbids the Director of the Bureau of Foreign and Domestic Commerce from permitting any except authorized employees of the Bureau to have access to such individual reports.

The Bureau has never divulged any confidential information, of course, and the bill was not intended to carry any implication of the kind, but it will reassure business men who are contributing information that strict secrecy is observed.

"The Department favored the enactment of the bill," Assistant Secretary of Commerce Draper declared, "in order to assure confidential treatment of statistical information of a confidential nature, which may be furnished to the Bureau of Foreign and Domestic Commerce of this Department by various business enterprises. Heretofore, manufacturers and others have been reluctant to furnish statistical information to the Bureau as there was no legislative assurance that the information so furnished would be kept confidential."

P. W. A. employment

Public construction work during the first four years of operation of the P. W. A. resulted in 2,214,092,000 man-hours of employment at the site and in the fabrication of materials. This figure on the assumption that a man-year of employment is 2,000 hours of work, is equivalent to the full-time employment of approximately 1,107,000 men for one year, or of some 277,000 men for four years.

What banks should expect in financial statements

by VINCENT YAGER, Asst. Vice President, Harris Trust and Savings Bank, Chicago, Ill.

"What the bank should expect in financial statements prepared by independent accountants." This is not a new subject because banks have been using and requesting audited statements for many years. Their use has gained in favor each year. Aided somewhat by the depression when borrowers were more amenable to the suggestion of spending money for audited statements, their use has now become a commonplace.

I feel safe in saying that practically 100% of the large lines of credit with city banks and possibly 80% of the smaller lines are now supported by statements prepared by independent accountants. In the banks in the smaller cities this ratio is, of course, much lower because the personal element is present and it is possible for the banker to supervise the credits in a somewhat personal manner. However, even under those circumstances the use of audited statements is growing in favor and I know of no one who does not feel that it is better to have audited statements than not to have them in every extension of credit.

What are some of the reasons that have caused this great favor in which audited statements are held? To the uninitiated it may at first appear that the main, if not the sole, reason for an audited statement is to prevent dishonesty or fraud on the part of the borrower. However, we know that such is not the case. While the angle of intentional fraud has a part in the reasons, it is by no means the major reason.

Accounting is far from an exact science. Figures and their compilation are open to interpretation, and to the use of judgment and error.

Skilled and unprejudiced figure men coming into a situation may place an entirely different interpretation on the figures. They will catch and prevent error; they will act as a check on the judgment of the management of the business. Bringing a skilled viewpoint, they should be able to make money-saving suggestions as to the handling of the internal operations; they should be able to help the corporation with its tax problems. Through contact with many other industries it is possible to give helpful suggestions based on the experience of others.

Many of our customers who have at first demurred when we suggested an outside audit but have finally acceded have later told us that the auditor more than made his fee through having been tangibly helpful in one of the ways mentioned above. It is not at all infrequently that the customer will thank us profusely for having recommended an audit to him.

While the fraud element is not paramount we have learned to pay but little attention to the argument of the customer against having an audit in which he says that it is unnecessary because all of his organization are tried and trusted.

Before we accept figures we must know who prepared them and so not any Tom, Dick or Harry can be auditor. Creditors check the standing, reputation and ability of auditors and auditing firms and they do not accept the work of every such firm. There are some firms whose work my bank will not accept for reasons that we think are good.

I have in mind also a firm in a city near Chicago which had been in business for several years but turned out whatever kind of an audit the customer desired. About all they were interested in was the fee which they were paid. The local banks refused to accept the audits and the Chicago banks followed suit. As a result since it could be of no benefit to its clients as they could not use the audits once prepared the firm has recently gone out of business.

It is not necessary that an auditing firm be large and nationally known; it is not necessary that it have substantial capital; but it is necessary that it have unquestioned integrity, good reputation and good abilities. I would certainly recommend that every auditing firm see that its history and standing and reputation are known to those usual sources through which banks and industries will check for without such a record business cannot be secured. So first of all, banks expect capable and satisfactory auditors.

Not every document that comes to us bound in nice robin's egg blue covers with a baby blue ribbon and possibly an imposing seal is really an audit. Inside of these covers may be anything from a preparation of a balance sheet by the accountant based on sheets of paper handed to him by the company to the very comprehensive and thorough survey and audit which may be prepared for purposes of merger, the sale of companies, and the flotation of securities.

In between will be varying degrees of audits. The experienced analyst, of course, is not fooled but the uninitiated will usually accept as an audit anything in the mentioned covers and bearing the name of an auditor.

The first thing that the skilled analyst does is to read carefully the Auditor's Certificate to see just what the auditor did. It is incumbent on the auditor to state clearly and in unmistakable terms the scope and extent of his work. We frequently say in statement analysis that we do not care what a company does to its figures so long as they label in a clear way and we can interpret what has been done.

There is a little firm that does business with us and every year shows a balance sheet with total assets of some $540,000 and a net worth of about $520,000. The tangible assets of the business are $40,000 but the individual methodically puts into the balance sheet each year an item, "Good Will, $500,000." Yet he shows himself a net worth of $520,000. That does not worry us because he has intelligently explained the items and we know that as far as the lending of money is concerned he has a net worth of $20,000.

I cannot stress too much this matter of the auditor indicating clearly the extent and scope of his work. He should make such qualifications as may be necessary if, as is usual, there have been some restrictions as to what has been done.

We also like to see the auditor express his opinion in wording something as this: "In our opinion based upon such examination and subject to the qualifications mentioned, the accompanying balance sheet and related statement on income and surplus fairly present, in accordance with accepted principles of account, consistently followed, his position at ———, and the result of its operations for the year."

This wording is required by most exchanges and the SEC.

We fully realize that the auditor serves two masters: The corporation which hires him and pays his fee and the recipient of his audit. If he does not serve one properly he will not be hired next year. If his work is not satisfactory to the other the audit becomes useless and he will lose his job anyway. We realize the limitations that are placed upon the auditor by reason of the amount which he is allowed. I know very few companies that are not quite penurious when it comes to audits. They always want it done more cheaply this year than last year.

The type of audit which is most acceptable to a bank is probably what is termed a balance sheet audit. Such an audit is directed primarily at a verification of the assets and the liabilities. We like to have accompanying it tests of the profit and loss account which will to as large an extent as possible give us the true facts with relation to that account but either profit or loss eventually finds its way into the balance sheet so that if we know what is left among the assets and the liabilities we can know pretty well what has happened as far as operations are concerned. Any audit that is short of a verification of assets and liabilities is of little if any value to a creditor.

We would like to have statements prepared not at the calendar year-end but at that time of year which more nearly reflects the seasonal operations of the company. It is not difficult to understand why the calendar year-end has been selected by so many businesses but more and more we are coming to have audits at fiscal dates when the seasonal operations of a business can more clearly be read.

We have the account of a Xmas card company. This is a really seasonal business with only one payday each year. When the company first came to us for credit it gave us an audit as at August 30th. There were a number of reasons why it had selected that date but you should have seen the balance sheet and operating figures: No sales, no receivables, lots of expense and lots of inventory. It would scare any creditor, but you should see the statement after payday and at about January 30th. There were substantial sales, no inventory, and a wad of cash.

What does the credit man expect as to individual items in the balance sheet? The symmetry and balance of published statements have led to a popular impression that the figures contained in them are matters of undisputed fact to a greater degree than is warranted by circumstances. The impression is sometimes held that these statements, in addition to showing the past, can and should show what is going to happen to the company within the immediate future. Neither of these assumptions can be fulfilled in practice.

A business is a living, moving thing. In the course of its operations it is constantly transforming its assets from one stage to another and is constantly gaining or losing ground in the process. Many undertakings are in mid-career and until they have been completed no one can tell with certainty what will be the outcome. This is just as true at December 31st as at any other date. What I am trying to say is what we all know but what the average man may not realize; that is, an audit is by no means a cure-all, nor can the future be prognosticated with certainty based upon the audit.

As I run down rather briefly the usual items in the balance sheet please understand that most of the things that I say about them will be done in a great many audits, possibly in the majority of audits, but I am mentioning those things that we feel should be a routine part of every balance sheet submitted.

Cash **is usually a simple matter but balances in foreign banks, closed banks or subject to restriction in any way should be earmarked. I know of one very large corporation who continues to carry in its cash account over $100,000 of moneys in a closed bank.**

Accounts receivable**—we like to have the auditors circularize the accounts receivable to establish authenticity and the correctness of the amounts due. We want the re-**

Unlucky 13 of uncontrolled installment credit

1. **Increased repossessions.**
2. **Increased bad debt losses.**
3. **Increased bookkeeping expenses.**
4. **Increased collection costs.**
5. **Decreased revenue from carrying charges.**
6. **Gradual extension of maturity dates.**
7. **Gradual weakening of habits of prompt payment of monthly charge accounts.**
8. **Increased capital investment and slower capital turnover with consequent lower rate of profit.**
9. **Freezing of assets, and often forced borrowing.**
10. **Increased expense for interest.**
11. **Loss of business due to feeling of cash and prompt-paying charge customers that other stores which do not sell on such liberal terms must be able to give better prices, quality or service.**
12. **Useless and unprofitable competition with other retailers.**
13. **Increased risks, especially in case of a business depression.**

Household Finance Corp.

ceivables aged by the auditors to show those that are current, 30 days old, 60 days old, etc. A table of comparison with the previous year in the audit is very helpful and we would like to have it in the audit. Any receivables which are due from subsidiary companies should be so labeled and taken out of the ordinary trade accounts. Obviously, accounts from officers, directors and stockholders should be shown separately and properly labeled. We want to know what items are considered uncollectable and we want to know the amount of reserves that have been set up. The loss record over a period of years might well be mentioned in order to help gauge the adequacy of the reserve. We want to know the amount that has been recovered on previous years' charge-offs for that helps to assay the conservativeness of the charge-offs.

Notes receivable in the average company are not so large but what they can be listed in detail with the names of the makers, due dates, and all attendant information. Of course, in the case of instalment financing there is a very different picture and the instalment finance accounts require substantial treatment with complete information as to the number of instalments, maturities, down payments, etc.

By the way, this matter of instalment financing is supposed to be a rather new feature of the credit picture but such is not the case. I quote from the Book of Genesis, Chapter 29, Verse 18. In case some of you do not know, may I say that the Book of Genesis is in the Old Testament, which you will recall is one of our most ancient writings.

Verse 18 reads as follows: "And Jacob loved Rachel and said to Laban, her Father, 'I will serve Thee seven years for Rachel, Thy younger daughter'." And again in Verse 20, we read: "And Jacob served seven years for Rachel and they seemed to him but a few days for the love he had to her".

And there you will recognize one of the earliest accounts of instalment buying, supposedly a rather recent innovation.

Inventories are the bugbear of financial statements, the place in which fraud may enter to the greatest extent and where error and faulty judgment may cause tremendous trouble. It is possibly in this matter of inventories that room for the greatest progress in balance sheet verification lies. I am not smart enough to suggest just what that progress will be or how it can be achieved but I do know that there is great room for it. There are many things that should be done now. I do not believe I have seen over one balance sheet in five years, and I see hundreds of them, in which the auditors supervised the taking of the inventory. We can hardly expect it. The inventory is usually taken by the management and certified to the auditors in writing. We except the auditors to go thoroughly over the prices, to get outside prices, and make comparisons wherever possible, such as on raw materials. They should, of course, verify extensions and be responsible for errors. Over a period of time they will be able to get the feel of an inventory situation and can use the gross profits test to help check its accuracy. Consigned inventory should be so labeled. The pricing of the inventory, of course, should be at cost or market, whichever is lower. Ascertainable obsolete merchandise should be stated and the old model or last season's goods might well be segregated.

The banker must be as exacting of the financial statements he receives as is the chemist of the materials he works with.

Marketable securities should be detailed. There will be but few situations when this cannot be done in exact detail so that anyone can see the quality of the securities and whether or not they really are marketable. They should be carried at the market price and if they are carried at any other figure it should be clearly stated how much this varies from the market value.

So far I have discussed the current assets. While the bank is more particularly interested in them because it is from these assets that the loan is ordinarily repaid, nevertheless, the bank is also interested in the fixed assets. These should be divided between land, building, machinery, and equipment, and further segregated between those assets that are used in the business and those that are not being used. The values are usually stated at cost less the depreciation. Wherever fixed assets have been written up or written down based on an appraisal, this should be clearly stated. Incidentally, when the plant account is written up the amount should be shown as capital surplus and not put into the ordinary surplus account. The depreciation reserve should be shown together with all additions and substractions from that during the year.

Intangible assets such as good will, patents, trade marks, should be reported separately and clearly stated. These intangible items should not have an obtuse nomenclature. There should be no question as to what is meant by any nomenclature in an audit. The user of an audit should not have to guess as to the meaning of any item.

Liabilities are routinely segregated into current liabilities and long time debt. Any debt that has to be met within the next 12 months whether it be morgage debt, bonds, or what-not, should be put into the current liabilities.

Accounts payable should be debt to the ordinary trade creditors. Any past due items should be clearly set forth. We like to have notes payable detailed with the name of the creditor and the maturity of the note. This can usually be done and we highly recommend it. It is done too infrequently.

All other current liabilities should be clearly stated. Any moneys due to principals of the company or stockholders or directors should be set forth and earmarked.

This is most important to a creditor and such debt should never be hidden by being consolidated with other items.

The tax liability should be set forth with any unpaid or accrued taxes shown. These should be accrued even when not due. We have seen balance sheets which did not accrue the taxes and we had what we thought was a fine position but the later addition of substantial taxes made an altogether different picture.

Long term debt should be stated as to maturity, rate, and collateral securities, if any. We think that the auditor might well mention any restrictive features of the indenture under which the securities are issued. Any defaulted interest, sinking fund, or other such features should be disclosed.

We think that the auditor should be responsible for ascertaining to the very best of his ability all contingent liabilities and these should be clearly stated. Too frequently we find no contingent liabilities listed in the balance sheet although this is becoming much less common. That these contingent liabilities are most important was brought home to me by one example; a farm machinery manufacturing company some years ago had a balance sheet which looked very good, when no consideration was given to the fact that they sold notes receivable with recourse. When these were not included in the balance sheet a beautiful picture was displayed but when these were written back on both sides all ratios were much upset. During the depression these fell thick and fast on the company due to the recourse arrangement and the company finally went into bankruptcy strictly because of its contingent liabilities.

Reserves should be clearly set forth with their specific purpose, if any.

Capital stock should be divided by classes. Unpaid dividends should be stated, particularly with regard to cumulative preferred stock.

A reconciliation of surplus is most important and not frequent enough in detail in audits. We want a full reconciliation with all additions and subtractions. Capital surplus, donated surplus, etc., should be shown separately from the earned surplus.

Even in a balance sheet audit we feel that the auditor should make sufficient exporation and work to assure himself that the income statement is reasonably accurate. It should be broken down in great detail with particular regard to gross sales, returned goods, cost of sales (this is a catch-all and should be very carefully broken down into all of its components). General and administrative expenses, officers' salaries, and bonuses, and other usual items. Non-operating income should be set forth so that we can see what the business itself has earned.

A good many of these things are routine practices in most cases although it is surprising how little information some audits really give. Audits come to my desk ranging all the way from two pages to one hundred pages. Obviously, in the two-page audit very little of the detail which I have mentioned is available and the audit is not of much use to a creditor. I would like to make some specific recommendations about things that are rather infrequently put into audits although we do get them now and again but which we feel should be a routine part of every audit. If included they would make the work of the analyst and the creditor much more intelligent and certainly very much easier.

Among these things that we get infrequently but would like in every case are:

1. A source and application of funds statement, what the bank credit man calls a "where-got, where-gone" statement. Is a very helpful thing and it should be carried out in full detail and not just important figures. It helps to show the flow of funds through the balance sheet during the year. We, of course, work it out ourselves from the balance sheet, but the auditor could do it more fully and save us a great deal of work.

2. Frequently there is a change in the auditing procedure from one year to another dictated by changed conditions. This should be clearly set forth in the audit so that we may know that we are comparing like figures.

3. Where consolidated statements are made, the audit should contain a sheet showing each individual statement, the consolidating procedure and the final consolidated statement. This is most helpful. As a matter of fact, the Federal Reserve Bank will not loan money on a consolidated statement, but wants to see the individual figures. Every creditor should feel likewise.

4. A reconcilement of the plant account should be put into the audit. We would like to see the additions to the plant account and any deductions.

5. The aforementioned leads also to a complete reconciliation of the reserve for depreciation, showing just what items have been passed through that account during the year. As a matter of fact, this applies to every reserve account.

6. Particularly it should apply to the bad debt reserve, about which usually the audit says nothing except that it exists. We would like to see the charges and recoveries which have been run through the account.

7. Comparisons with previous years are most helpful, and at least one page in the audit should compare the balance sheet and operating figures with those figures of the previous year. Of course, a bank secures previous audits when it is considering credit, but frequently only one audit is brought in at first, and a comparison with the previous year is most helpful in determining whether further investigation should be made.

Some of you may think that I am talking about a utopian program and, of course, I recognize that not all of the things that I have been speaking about can probably be done immediately. As aforementioned, you are up against the problem of having only a certain amount of fee to work on and few of you auditors will be in position to turn down a job because the fee is not sufficient to enable you to do all of the work that should be done. It would be a fine thing if no job was accepted unless it could be done thoroughly but we realize that is impossible.

Great progress has been made in recent times in statements of all natures. Compare the bank statements of ten or even five years ago with the statements that are presented today and even yet bank statements are probably the most condensed and least intelligible by reason of such condensation of any statement we have to analyze. Corporation statements are presented more fully to their stockholders and therefore, incidentally, to their creditors.

We live in a goldfish bowl, our salaries are published, our home life is published, so probably we are coming to a time when the auditor will be able to do the kind of a job that every good auditor wants to do. That is, a thorough presentation of the figures so that they can be intelligently understood.

Wages and hours in Canada

In recent years progress has been made in Canada in providing for the legal establishment of minimum wages and maximum hours for men. All but two of the nine Provinces have legally provided to a greater or less degree for minimum wages for adult males in private industry, and all the Provinces have some legal provision restricting the working hours of men in such employment. In five Provinces legalized collective agreements regulate wages and hours of both males and females in specified trades or industries for particular localities or districts, and in some cases for a whole Province.

Beware of laws called "uniform"

says W. B. LAYTON, Counsel, Portland, A. C. M., in

an analysis of uniform laws and the trust receipts act.

Responsibility for the promotion of uniformity in state laws on all subjects where uniformity is deemed desirable and practical has fallen to the National Conference of Commissioners on Uniform State Laws. This is a voluntary organization composed of Commissioners from each of the States, the District of Columbia, Hawaii, Porto Rico, and the Philippine Islands. In thirty-three of these jurisdictions the Commissioners are appointed by the chief executive acting under express legislative authority. There are usually three from each jurisdiction, and the usual term is three years.

The Commissioners are lawyers, judges, and teachers in law schools. They serve entirely without compensation. The work of the Conferencee is supported by donations from some of the States, from appropriations made by the American Bar Association, and contributions from various State Bar Associations.

The Conference was organized in 1890. Already the Conference has drafted some sixty-four acts, and forty-nine of them have been enacted into law in at least one jurisdiction. There is a total number of fifty-three possible adopters of uniform acts, and the negotiable instrument act, drafted and sponsored by the Commission, has been enacted into law in all fifty-three of these jurisdictions.

Examples of other laws are the conditional sales act, warehouse receipt act, bill of lading act, stock transfer act, declaratory judgment act, aeronautics act, and—of the newer acts—the trust receipts act. After this act was redrafted seven times it was approved for adoption in 1933.

Trust receipts have been in more or less common use for financing imports a considerable period of time. Finance companies began adapting them to the purchases of automobiles by dealers from manufacturers so as to maintain security in the cars in order to cover their advance of the price or part thereof. It was generally held that the financing agent's interest was valid as against the dealer's creditors or his trustee in bankruptcy, but invalid as against bona fide purchasers from the dealer in the regular course of trade.

However, when the use of the trust receipts became more widespread, and the evils of the secrecy of the transactions in which they were employed began to be observed by the courts, the courts' decisions tended definitely to deny validity of these receipts even as against creditors. The authorities came into hopeless conflict. It therefore was the object of the conference in drafting the uniform trust receipts act to reconcile these conflicts, and to bring about a procedure which would afford a better method of protection to creditors, and to generally confine trust receipts to financing transactions.

The act was not intended to supersede the law relating to chattel mortgages and conditional sales, nor to in any way amend the laws pertaining to the recordation of such instruments, such laws being well established in the many states.

Hereby, however, hangs a tale. Certain designing persons, not as unselfish and altruistic in their motives as the uniform law commissioners, took advantage of the fact that there had been a uniform draft of the law, and, laying particular stress upon the word "uniform" to aid them in their purpose, changed the uniform draft of the law, and have succeeded in having their changed version thereof enacted into law in Illinois, Indiana, and California.

The act as drafted by the Commissioners was passed in New York, and was known as "An act to amend the personal property law, in relation to trust receipts and pledges of personal property unaccompanied by possession in the pledgee, and to make uniform the law relating thereto." The New York act relates to financing transactions such as are typified by the following:

A applies to his bank for a loan to enable him to pay C for a shipment of ranges which is about to arrive. The bank files with the Secretary of State the following Statement of Trust Receipt Financing:

"The entruster (bank), whose chief place of business is at......................., is or expects to be engaged in financing under trust receipt transactions the acquisition by the trustee (A), whose chief place of business is at.................., of goods of the following description, to wit: Ranges.

(Signed)........ Bank ....Entruster

(Signed)..... A .....Trustee-Borrower"

This statement, as to goods falling within the description in the statement, is good for one year from the date of the filing, that is to say, the bank can take trust receipts for ranges and make loans on the security thereof as frequently as it may choose to do so without being required to file with the Secretary of State a Statement of Trust Receipt Financing oftener than once a year. The Act also provides that the bank need not file the Statement of Trust Receipt Financing at all if its transactions clear within thirty (30) days.

If in our hypothetical case A, after signing the Statement of Trust Receipt Financing repays his loan to the bank within thirty (30) days after he has received the goods, the bank need not file the Statement of Trust Receipt Financing to validate the transaction. However, if A's loan is for a longer period than thirty (30) days,

or the transaction does not clear within thirty (30) days, then the bank must file the Statement of Trust Receipt Financing in order that its security interest in the ranges shall be valid as against A's creditors.

It will be observed that the bank has no extended or complicated formalities to go through in the loaning of its money. It is afforded adequate coverage without the necessity of filing the statutory statement for a temporary period of time. The act was intended to make foreclosure procedure clear and workable.

To make trust receipts perform a function for which they were never intended, and to afford opportunities for secret advantages, and to take away the requirements of the chattel mortgage act, the use of trust receipts is attempted to be made to apply in the several states where the uniform law has been changed to transactions of which the following is an example:

A is the operator of a furniture store. He has acquired on open credit an extensive stock of ranges. He goes to his bank and borrows $1,000 and issues to the bank a trust receipt covering all of the ranges that he has in stock, and at or before this time also gives to the bank a Statement of Trust Receipt Financing such as is hereinabove described.

It will be observed that this is a pure chattel mortgage transaction. If A borrowed money from his bank on his stock of merchandise he might ordinarily secure it by the giving of a chattel mortgage, which would have to be drawn in accordance with the formal requirements of the law of his State; would definitely specify all of the property covered; would have to be filed within a short time so that everyone having an interest in A's affairs might be informed as to what is transpiring. The giving of such mortgages on fluctuating stocks of merchandise has been contaminated with so much fraud and injustice that many of the States, such as in California, have provided by statute that such mortgages are void.

In a great many other States the courts have either held them to be void, or have made their validity depend upon the observance of very strict rules of law. It has frequently been held that if a chattel mortgage is comprehensive enough to in fact amount to a sale in bulk of a merchant's business, then the provisions of the sale in bulk act of the state must be complied with.

Under the magical, informal, and simple device of the use of trust receipts the sponsors of the extended version of the trust receipts law seek to have these obstacles removed. Under this scheme the general creditors of a merchant are virtually helpless in ascertaining what is transpiring, and then in doing anything that may protect their interests.

Gendreau

It is possible for bills to "hitchhike" their way through a legislature on the strength of their supposedly "uniform" attributes.

Experience has proved that the giving of secret mortgages on stocks of merchandise is a bad practice, and has therefore been regulated or prohibited entirely. Such acts as the California trust receipts act would do away with all regulation and all prohibition, or rather would make all regulation and prohibition apply to everyone except a bank or a finance company holding a trust receipt.

The title of such an act as was passed in California might very well be "An act to repeal, amend, confuse or render uncertain the law pertaining to the recordation of instruments, the making of sales in bulk, the giving of chattel mortgages, and to promote secret dealings, to deceive creditors and to render the law uniform in regard thereto."

Such a title, of course, would have insured the bill's defeat in the legislature rather than its enactment. When the bill was labeled "Uniform Trust Receipts Act" it was generally accepted at face value.

This illustrates the importance of the use of the word "uniform" and demonstrates how much fraud may be committed in its name. We grant that trust receipts are a proper subject for uniform legislation. We must insist that they be confined to their proper sphere; otherwise there is no merit in the sponsoring of uniform laws on the subjects of chattel mortgages, or the passing in the various states of the regulations which pertain to this subject.

The National Association of Credit Men has drafted and sponsored many uniform laws relating to various phases of credit. Many of these laws have been passed. They are like the uniform laws sponsored by the Commission. There are some changes made in these laws that make them more adaptable to the locations in which they are passed.

Strictly speaking, there probably is no such thing as entire uniformity in laws. However, there is a uniformity of principle. For example, the principle of regulating sales of goods in bulk has been generally accepted, and sale in bulk acts have been passed in all of the states. The Uniform Law Commission has not drafted a bill on this subject, but the National Association of Credit Men has promoted the passing of laws in the various states that are at least uniform in principle.

The sponsors of the uniform false statement in writing act borrowed the word "uniform" to gain support for the law. The act was originally enacted in New York and soon became a uniform act. In this instance the principle was commendable, and there was no fraud or deception through the use of the word "uniform." After what has happened in states like California, however, any bill now bearing the label "uniform" will be most carefully scrutinized.

There are vast differences in customs, industry, geography, resources and other important factors among the states. All of these factors logically must be compensated for in the state laws; otherwise the theory of state rights is a failure. Whenever any small special interested pressure group obtains the passage of a law for its

benefit, a challenge is immediately issued to every other such group to do likewise. The result is a multiplicity of conflicting and unwarranted special privilege statutes. There really can't be any uniformity among such statutes, and any commission or body that sets about to draft uniform laws of special privileges to the few would quickly merit public discredit.

There are certain subjects which are nationally recognized as proper subjects for identical or uniform treatment. Subjects that vitally affect credit are peculiar unto themselves and are more susceptible of uniform treatment.

The National Association of Credit Men has rendered great service in its sponsorship of the many laws which have been universally passed on credit subjects. Its judgment on these subjects is to be taken in preference to the judgment of others. Its motives have proved to be in the interests of all credit grantors for the best protection of the credit system as a whole. It is not governed by selfish circumstances.

It would not have sponsored such a trust receipt law as was passed in California, because such sponsorship could redound to the benefit of only a very favored few and to the detriment of the great majority of those who must carry on credit transactions in the state of California.

It is now recognized that it is equally as important to oppose special, deceptive and detrimental bills as it is to sponsor constructive, necessary and beneficial legislation. Credit grantors in California were deceived by the innocent title of the act which may now work havoc with their interests. This experience will undoubtedly be helpful, as from now on in California with respect to a bill affecting credit practices it will take more than a deceptive title to get by the legislature.

Hidden assets as credit collateral

Many companies have the policy of carrying assets in their statement at a substantial undervaluation as an added contingency reserve. Just what effect the surplus tax will have on this practice remains to be seen. The practice itself, as a measure of conservatism and foresightedness, is laudable, Paul W. Power wrote recently in Chicago Credit News.

A great many business firms have assets very similar to the undervaluation principle, hidden in that they are rarely looked for or stated as realizable assets in the event of a contingency. Such assets may be termed underlying assets. A prosperous wholesaler in a large city in the Middle West discovered his most gratifying hidden asset when a jury returned a judgment against him for $65,000, as the result of an intoxicated truck driver having crushed a pleasure car and seriously injured the two occupants. Few of his creditors had looked for this hidden underlying asset,—he had not regarded it as such himself. But when the judgment was returned his satisfaction in knowing that his truck liability policy would meet the judgment was unbounded.

The very real asset of good insurance, hidden it can be termed because the makers of financial statements frequently overlook setting it forth as the underlying asset that it is; and the readers of the financial statement have lost the habit of looking for it. Only some old time credit men search out one of the hidden assets of the financial statement,—fire insurance. Fire insurance, to be sure, is one of the most necessary underlying assets to the tangible assets of a business. It was justly so regarded three decades ago. It should be so esteemed today!

With the development of modern business, the field of underlying protection to the assets of a business has been greatly extended. Business today faces more hazards that will drain its assets than ever before in history. Liability judgments capable of wrecking well managed firms with satisfactory surpluses are being rendered everywhere. Automobiles and trucks, necessarily operated speedily, take their toll, not only from the business operating them, but often from the creditors of the business when bankruptcy or composition settlement is effected. Personal injuries on the premises of business establishments have been causing enormous losses to business and its creditors. Injuries to individuals falling because of unnoticeable obstruction, accidents from careless elevator operation, many resulting in cranial or spinal injuries, have reduced surpluses and impaired business assets to an alarming degree. Foreign and deleterious matter in food products have brought judgments against manufacturers.

Explosions, falling parts of buildings, ground collapse and many other unforeseen catastrophes have levied unbelievable taxes on business. Disasters to employees, have placed almost unbearable burdens on management. Internal draining by dishonest but trusted employees has embarrassed and liquidated at public sale many a business.

Fortunate indeed is the business that can turn to its hidden assets and come out from such catastrophes unimpaired, also fortunate are those creditors whose debtors maintain hidden assets of insurance that enable them to pay dollar for dollar of their accounts payable.

Business has not yet learned that the value of insurance is as important as the other assets shown on the left hand side of the ledger. Business does not realize that a substantial part of the three billion two hundred million credit loss of the last five years could have been saved by the hidden assets of good insurance.

Insurance people see a good part of these losses to business, particularly where underinsurance is involved. They do not see those cases, except by chance, where there is no insurance. Bankruptcy statistics have never shown the number of bankruptcies due directly or indirectly to the lack of or insufficient insurance. Disasters, uninsured, occur that cause a crippled financial condition, although it may be months or years before actual business failure. The credit man sees the occasional loss, frequently does not realize the unbalancing effect on the financial structure, and rarely analyzes failures in the light of insurance protection that should have existed. Were he to see the aggregate of his losses in the profit and loss account where the failures were directly or indirectly attributable to insufficient or total lack of insurance coverage, he would insist that the hidden asset of insurance be shown on the financial statement as an asset.

The National Association of Credit Men's Insurance Statement form is ample evidence that the heads of that great institution realize that such assets should be clearly shown in the financial statement.

Life insurance as an aid in appraisal of credit

Part II: Business firms and corporations.

by CHARLES H. SMITH, C.L.U., Philadelphia.

In the first chapter of this discussion of life insurance as an asset to be considered when appraising credits, I covered some of the points to be watched by credit executives when considering credit relations with individuals. As explained at the start of my article last month, I have divided my discussion so as to show how life insurance affects (1) the credit of individuals and (2) how it affects credit relations with firms and corporations.

Let us now take up the question of life insurance as an aid when considering credits of business firms and corporations. As I pointed out in the beginning, there are four main subdivisions, namely, sole proprietorships, partnerships, close corporations and ordinary corporations. As credit men, you are, of course, already aware of the hazards which you face in the granting of credit to each of these four types of businesses.

As you already know, a sole proprietorship is often spoken of as a "one-man business." In most instances, take the sole proprietor out of the business and the business falls in a very short time.

In discussing credit relations with a firm which comes under the heading of a sole proprietorship and the use of life insurance as an aid in appraising the credit of such a firm—we find that the points discussed with respect to "personal credit" are quite similar in nature and effect. Therefore, very little further comment will be needed on this point except to point out that if the sole proprietor has life insurance upon his life payable to his firm in event of his death, the credit manager can afford to be more liberal. The life insurance in his case could be payable to his estate (rather than to his firm) because as sole proprietor the debts of his firm would be the debts of his estate.

Consequently, life insurance payable to his estate would help to furnish the cash with which to settle debts incurred by him and which may be still outstanding at the time of his death. I might point out, however, that if the sole proprietor lives in Pennsylvania and has all of his life insurance payable to dependents, then his life insurance as far as the credit manager is concerned would be of little value in event of insolvency in the event of his death, unless his dependents or beneficiaries were disposed to take it upon themselves to liquidate his debts in event the estate assets proved insufficient. If you were dealing with a sole proprietor in New Jersey or Delaware and if the sole proprietor had all of his insurance payable to named beneficiaries, then his life insurance as far as the credit manager is concerned would be of little value in event of insolvency, or in event of death.

In the May issue Mr. Smith discussed life insurance as it applies to personal or individual credit relations.

In this article Mr. Smith continues the discussion of life insurance as applied to credit relations with firms and corporations. Credit managers will find these articles a valuable source of information.

From the credit manager's standpoint, the assignment of a life insurance policy from the sole proprietor is his best bet. The type and kind of assignment will depend upon the circumstances involved in connection with the transaction. The fact that a sole proprietor has insurance policies made payable to his estate would not be a sufficient safeguard to the credit manager inasmuch as the insured could easily change the beneficiary to a dependent or to a named beneficiary without informing the creditor about so doing. If this were done by the insured after he realized that he was insolvent—and the creditors could substantiate this—then the cash value of the insured's policy would be attachable. However, if the insured made the change while solvent and without any intention to defraud his creditors, then generally speaking, the creditors would have no redress.

Sometimes the sole proprietor is merely the financial backer of the firm and he has a key employee who in reality does all the work and on whose judgment and ability he relys in the carrying on of his business. In this event, it may be important that the sole proprietor should have life insurance upon the key man because if that key man should die, the sole proprietor would perhaps suffer a loss. If the credit manager is aware of this particular fact and if the credit manager knows that the sole proprietor has life insurance upon the key man, here too he can afford to be more liberal than if the life insurance is not in existence. The payment of the life insurance proceeds on the life of the key man in event of his death will indemnify the sole proprietor for his loss, just as the loss by fire on his plant and physical property assets would bring indemnification from a fire insurance policy.

In some instances you may find that a sole proprietor has arranged for the continuation of his business in the

event of his death. Perhaps the business will be continued by a member of the family or by one or two or more of his faithful employees. If the business is to be continued by the employees of the firm, the wise sole proprietor will have entered into such an agreement with the employees during his lifetime, and in many of these instances, life insurance will have been utilized in connection with the agreement with the thought in mind that the life insurance proceeds will be used to furnish funds for the carrying on of the business or shall be used to furnish the funds (or a portion thereof) with which the employees will purchase the business at the death of the sole proprietor.

If the credit manager knows of such an agreement, and if he knows that life insurance is in existence to assist in carrying out either of these purposes referred to, he can well afford to be more liberal in his credit appraisal.

Let us now pass to the next subdivision, namely, partnerships. As astute credit managers, we are all aware of the legal aspects of a partnership. For example, we know that the partnership structure may be based on an oral agreement or it may be based on a written agreement.

We know that the acts of one partner are binding upon the other or others unless it be a limited partnership, in which event the public is on record that a limited partner is limited in liability to the extent of his publicly acknowledged liabilities (limited partnerships are more common among brokerage firms). We know that one of the partners can make contracts and incur debts that will bring disaster upon the partnership and upon the individual partners as well. We know that the assets of the respective partners can be attached to satisfy the acts of all partners.

One of the greatest hazards which a credit manager faces in credit relations with a partnership arises from the fact that in absence of any partnership agreement to continue the firm, the death of one of the partners automatically dissolves the partnership. This hazard is so well known today among the partners themselves that it is quite common for partnerships to have agreements concerning their continuation in event of the death of one of the partners.

What would the credit relations be in case the "key man" should die? Insurance on the lives of key men provides a financial buffer for such a loss

In the past decade, life insurance has come to the forefront and is definitely recognized today as the best known medium of solving this all important problem—how to continue the business of the partnership at the death of one of the partners. When life insurance is taken in this connection, it is for the purpose of buying out the interest of a deceased partner, and when properly arranged is definitely linked with an agreement wherein the surviving partners are provided with the funds with which to buy the deceased partner's interest. The life insurance taken for this purpose is often taken by the individuals on each other's life, rather than by the partnership itself. There are certain tax advantages to be gained by the taking of the insurance on each other's life rather than have the partnership take the insurance, although the partnership itself can be the purchaser of the insurance. In either event, however, it is very essential that a proper agreement be drawn between the partners covering the various phases of the rights and obligations of the respective partners, both during their respective lifetimes and upon the demise of one.

Another very important use of life insurance among partnerships today is for the sole purpose of enhancing the partnership's credit standing. Usually, life insurance taken for this purpose is taken out by the partnership and payable to the partnership. In the event of the death of one of the partners, the proceeds of the life insurance policy or policies immediately become payable to the partnership and with the proceeds thereof, debts can be liquidated and funds can be provided for the carrying on of the business. When the partnership carries the insurance for this purpose, the cash values of the policies taken out by the partnership are assets of the partnership and as such are attachable in event the partnership becomes insolvent. Even if the life insurance is taken for the purpose of buying out a deceased partner's interest and even if the policies are taken on the lives of each other by the respective partners, the cash values thereof are attachable in event of insolvency by reason of the fact that each partner's individual assets are subject to attachment.

Therefore, from the standpoint of the credit manager who is considering the credit of a partnership—the existence of life insurance taken for either of the purposes mentioned should, without question, result in the approving a larger line of credit than if such life insurance is not in the picture.

Obviously, if the life insurance is taken by the partnership payable to the partnership for the purpose of enhancing its credit standing, the credit manager has greater protection upon the death of one of the partners than in the other instance recited because of the possibility that the proceeds of the insurance policies (if taken out for the purpose of buying out the interest of a deceased partner) may be tied up as being payable to the deceased partner's widow. Generally speaking, even if this be so and in event of insolvency of the partnership at the death of a partner, these proceeds should probably be reached by the creditors but it might involve litigation to obtain it. Litigation always means expense and delay. In this connection, therefore, it behooves the credit manager to inform himself concerning the particulars of the life insurance involved and the details concerning the method of payment in the event of the death of a partner.

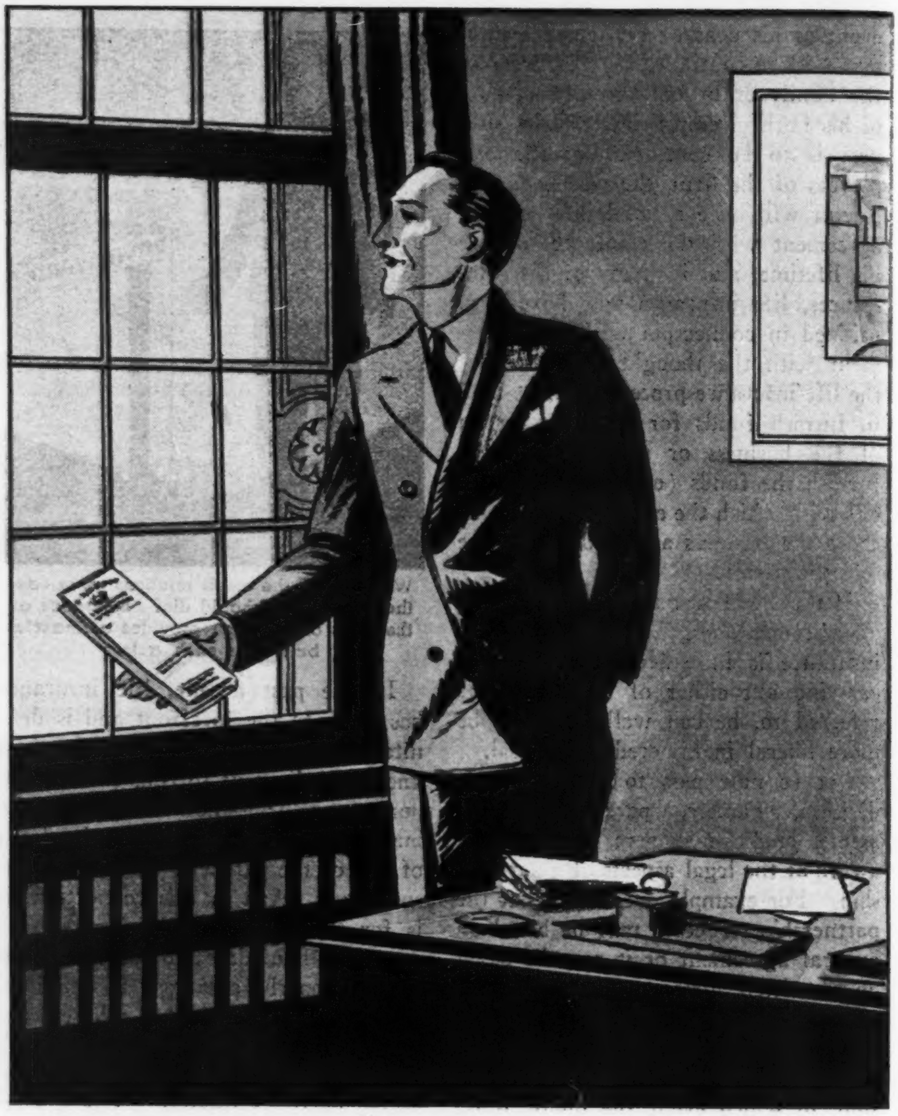
Close corporations, as we all know, have the characteristics of an ordinary corporation except, of course, the stock is held entirely by a few individuals who are usually active in the management of the business. The interests of the stockholders do not necessarily have to be equal, although such equal

ownership interests are common. One of the important characteristics of the close corporation is the fact that the corporation stock does not possess a ready market for quick and profitable sale. It differs from the partnership in several respects. For example, it has perpetual existence unless its charter provides otherwise. The death or retirement of a stockholder does not terminate the corporation and the individual assets of its stockholders are not subject to attachment in event of insolvency of the corporation. There are some exceptions, of course.

In credit relations with a close corporation, one of the credit manager's important duties, in my opinion, would be to size up the hazards which he faces, namely, what will likely happen to the close corporation if one of the owners dies—would his executor, his widow or his heirs come into the corporation to take his place; might the surviving stockholders be left with a minority interest; if the majority stockholder should die, might the business be thrown on the open market, merged with some other corporation, or what? Assuming that the survivors would be permitted to carry on the business, would they be able to do so efficiently and would the death of one send the corporation on its downward path?

Before passing to the next classification (close corporation) I might mention the fact that just as a sole proprietor may take life insurance upon a valuable key man, so too, can and do partnerships do likewise where there are key men involved. Ordinarily, the key men are the partners themselves but once in a while you run across a partnership where there is a key employe who is not one of the partners. Obviously, if life insurance is carried upon this key man by the partnership, it should have a very favorable bearing to the credit manager in sizing up the amount of credit which will be approved.

Close corporations are today using life insurance for the same two main purposes as outlined under my discussion of partnerships. Life insurance taken for the purpose of enhancing the credit of the corporation is the form in which the credit manager will be most interested, although the other purpose will and should have an important bearing to him as well. Life



The problem often arises as to how the interest of one of the main stockholders in a corporation will be absorbed in the event of his death. Life insurance has solved this problem in many corporations by providing a plan for continuing the stock interest within the active management

insurance taken for the purpose of enhancing the credit of the corporation is usually taken upon the lives of the key men (they are usually the stockholders themselves) the premiums are payable by the corporation and the proceeds are payable to the corporation in event of the death of the insured members.

During the lifetime of the insured members, the cash values are carried as assets of the business and as such are attachable in event of insolvency of the corporation.

The other main purpose for which life insurance is taken, is to buy out the interests of a deceased stockholder in event of his death. As in the case of the partnership, the use of life insurance linked with the proper agreement for the purpose of buying out a deceased stockholder's interest is the best known device solving the important problem of how to liquidate the interests of a deceased stockholder and transfer the ownership of the corporation to the surviving stockholders.

In the approval of credit for such a corporation, the credit manager can well afford to be more liberal with the extension of credit, if it has a well worked out plan of this character as against the same corporation without such a plan.

The complete details of such an agreement and the full explanation of the life insurance tie-in would, no doubt, be of interest to each and every member of this group. To do such a

job thoroughly, of course, would take more time than the present discussion has at its disposal. Therefore, I will pass on by stating that in the taking of life insurance for the purpose of buying out the interests of a deceased stockholder in a close corporation, the best method (in most instances) of so doing is for the individuals to take insurance upon each other's lives, rather than for the corporation to take the insurance (although this is sometimes done depending upon the underwriter and the attorney involved in the case.) It might be well for me to point out that if the insurance is taken by the stockholders upon the lives of each other, the cash values of the policies are not assets of the corporation and in the event of the insolvency of the corporation, the cash values of the policies would not be attachable. You will note that this differs from the situation under the partnership arrangement wherein the assets of the individual partners were attachable in event of the insolvency of the partnership. Therefore, if you as credit manager were approving a line of credit to a close corporation and were counting upon the cash values of the life insurance policies to enhance the credit standing of the firm, it would be important for you to know whether or not the insurance policies were being paid for by the firm or by the individuals.

Now we come to the fourth and last sub-division of the business group.

The use of life insurance in the larger corporations where the stock is widely held is not as common for the purposes mentioned as in the three classifications previously referred to. However, the use of life insurance in ordinary corporations is quite common.

In many instances these corporations buy life insurance upon the key executives of the key man in order to indemnify the corporation for the loss of the key men's services.

Sometimes the life insurance is taken upon the financial executives to protect or retire a bond issue, or to protect or retire a mortgage. Endowment policies act as an ideal sinking fund—and include death protection at the same time.

Sometimes you will find that the larger stockholders will take insurance upon each other's lives for the purpose of buying out each other's interests in the business in event of the death of one, but this is almost always an individual matter and does not apply to the majority of the stockholders by any means. The taking of any life insurance (except group insurance and group pensions for the benefit of the employees) by the corporations on any one connected with the corporation and for the benefit of the corporation must be approved by all of the stockholders.

Another common use for life insurance by the larger corporations is in the taking of life insurance upon debtors to protect themselves against the loss of the debt through the premature death of the debtor.

In this resume I have endeavored to give you a bird's eye view of the importance of life insurance in the present-day economic business structure. Business men during the past two decades have become more and more conscious of the importance and usefulness of life insurance to them and to their businesses. Astute credit managers are seeking more and more to acquaint themselves with the various ramifications of life insurance and its importance to the creditor as well as to the debtor. Some of these astute credit managers have made it their business to select as their life insurance counselor and advisor a competent life underwriter—one who keeps abreast of the life insurance business in all of its many ramifications—and as a result of having done this, they have taken full advantage of the benefits of life insurance in the solution of their problems, particularly in those instances where its use has proven most advantageous to all parties concerned. I commend this same action to those of you who may not have done this already. In order that there may be no misunderstanding, may I say that:—It has not been my purpose to say that life insurance is the cure-all for all of the credit manager's headaches. Life insurance is one of his valuable aids when properly used and properly fitted to each individual case in accordance with the circumstances and needs thereof. The credit manager's knowledge of life insurance (or his ready access to the proper knowledge concerning life insurance) is one of the useful tools in his kit of personal assets which will enable him to do the best possible job for his firm and for the debtor with whom he deals.

An executive has nothing to do—almost

As everybody knows, an executive has practically nothing to do—That is, nothing to do except:

To decide what is to be done; to tell somebody to do it; to listen to reasons why it should not be done, why it should be done by somebody else, or why it should be done in a different way, and to prepare arguments in rebuttal that shall be convincing and conclusive. . . .

To follow up to see if the thing has been done; to discover that it has not been done; to inquire why it has not been done; to listen to excuses from the person who should have done it and did not do it. . . .

To follow up a second time to see if the thing has been done; to discover that it has been done but done incorrectly; to point out how it should have been done; to conclude that as long as it has been done, it may as well be left as it is; to wonder if it is not time to get rid of a person who cannot do a thing correctly; to reflect that the person at fault has a wife and seven children, and that certainly no other executive in the world would put up with him for a moment; and that, in all probability, any successor would be just as bad or worse. . . .

To consider how much simpler and better the thing would have been done had he done it himself in the first place; to reflect sadly that if he had done it himself he would have been able to do it right in twenty minutes, but that as things turned out he himself spent two days trying to find out why it was that it had taken somebody else three weeks to do it wrong; but to realize that such an idea would strike at the very foundation of the belief of all employees that an executive has nothing to do.

—F. C. Bierne,
in Advertising Age.

Educating on credit

Sirs:

After having read a great many articles similar to the one appearing on Page 21 of the April issue of "Credit and Financial Management," I'm finally moved to make a comment.

Why doesn't the National Association do something about the situation which causes one credit man to lament to another that his income is not as large as it should be?

Many articles have been written; miles of paper consumed, to provide the credit man an opportunity to tell other credit men how good he is.

It has occurred to me on several occasions that inasmuch as you are in the throes of an educational program, that you might direct some of the education toward the management who are so frequently condemned for not recognizing the ability (?) or worth of their credit men.

Why doesn't the National Association create an examination, similar to a CPA examination, for credit men or alleged credit men, and when they have successfully passed such an examination, designate their qualifications by proper symbol and thus make it possible for the credit man to classify himself, and then he won't have to worry if the Merchandise Manager, Sales Manager, Office Manager or somebody else is in the higher salary bracket—why not?

Cordially yours,
L. R. JOHNSON,
Cleveland, Ohio.

Dear Mr. Johnson:

Mr. Paul Haase has just referred your letter to me. You may be sure that I concur with you heartily in everything that you say. During the last six months I have appeared before a number of groups such as Rotary and Kiwanis, and have told them without "pulling my punches" that business executives were utterly unaware of the importance of the functions and services performed by their credit departments and the effect of credit policies on the economic welfare of the nation.

management man's worth

The National Association of Credit Men, through the National Institute of Credit, is attempting to enhance the professional status of credit management. If there is any vocational calling that should be placed on a professional status, it is credit management. It is my own observation that, in order that a field of endeavor be recognized as a profession, it must have two outstanding earmarks: (1) a high standard of ethics, (2) educational requirements for all those in the field.

The code of ethics of credit management are expressed in the Canons of the National Association of Credit Men. The National Institute of Credit provides the facilities whereby those in credit work may become educationally qualified or certified. The awards of Associate and Fellow are becoming more and more recognized as the professional hallmarks of the qualified credit man.

To achieve the objective of making credit management a highly regarded profession will take a great deal of time and effort. We are doing everything in our power to make the credit fraternity conscious of the fact that those in authority will require that their credit managers have these distinguished awards.

As you know, the educational program of the National Institute of Credit is carried out on a collegiate level. Just recently, the Adult Educational Council made a survey of the educational activities carried on by trade and professional groups and has rated our program head and shoulders above all others.

I have had a good deal of correspondence with Frank Wharton, Assistant Secretary of the Cleveland Association of Credit Men, quite recently and indications are that the educational activities in Cleveland will be increased next year. I would enjoy hearing from you again.

Yours sincerely,
CARL H. HENRIKSON, JR.,
Director—Education, N.A.C.M.

This month's collectors:

Submitted for the approval of our readers

by C. W. BROWN, Credit Department, Goodyear Service, Los Angeles, Calif.

Dear Sir:

It is with a great deal of surprise that we note your account with us is past due.

At the time we granted you credit we did so with the fullest confidence in you and your desire to maintain your account on a current basis.

This confidence has not been misplaced we are sure, and therefore can only assume there must be some misunderstanding in regard to our charges. If this is true, won't you please get in touch with us so we can give you our full cooperation in straightening out anything you might be questioning.

If, on the other hand, you have merely overlooked sending us your check, will you please do so, using the enclosed envelope for your convenience.

We assure you of our desire to continue to warrant your valued patronage.

Yours very truly,

by R. E. NYLEN, Asst. Treas., Carter & Holmes, Chicago, Ill.

Gentlemen:

Although I have written you before, it was never my own letter over my signature, but always something dictated by Mr. ———. However, Mr. ——— left the city for a few days and I am going to dash off a letter much to the surprise of you, the boss, and perhaps even myself.

You know, I see a good part of the correspondence here—opening the mail, looking over new accounts and accounts of old friends, etc.—and it gives me a grand sense of security in my job to see the way the business comes in. Not only does the business come in, but it is usually paid for very promptly. Sometimes, however, when a few of our customers don't pay on time, I have to write letters which, at best, is not a pleasant task particularly when you're asking for money. Even though you are justified in doing so, such letters are oftentimes resented.

We don't like to write these letters any more than you like to receive them, but what are we going to do if you don't take care of your account when it is due? If our customers would only write us and tell us when they could pay instead of ignoring our letters, life would be just a bowl of cherries for both them and me.

Now, if you want to do a poor little girl a great big favor by making her work just a little easier, just send us a check covering the amount of your past due account. I should like nothing better than to say to the boss when he returns—"Mr. ——— paid his account."

How about it? I'm depending on you.

Yours very truly,
Secretary to Mr. ———.

"The monthly collection letter that is published in CREDIT AND FINANCIAL MANAGEMENT has been very helpful in mapping out our collection programs. We are always seeking a new approach to this problem and, while perhaps the enclosed letter is not particularly new, it has brought excellent results," Mr. Nylen writes us in submitting his letter.

"The idea of the letter was adopted from one we had received from a well known collection agency promoting their services, and it occurred to us that by incorporating the idea in a letter written over the signature of my secretary it might prove effective and it did bring astounding results.

"We made a test by sending out thirty-five letters and we received thirty-four replies and thirty checks within a period of fourteen days. This may sound somewhat fantastic but, nevertheless, is very true. We hope that the letter will offer a suggestion or two to others who read it."

A great deal of collection letter writing, however, can be obviated if proper care is taken in analysis of credit responsibility. The most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk has achieved foremost standing among credit executives because it is based on the current record: The Credit Interchange System of the National Association of Credit Men.

Taxation

coordination

Everyone is a taxpayer, whether he realizes it or not. As such, he often pays taxes to more than one governmental agency on the same commodity or base, The Twentieth Century Fund points out.

When you buy a package of cigarettes, a large part of the price goes as a special cigarette tax to the federal government, and in about twenty states another part goes to your state government. Moreover, in many states and a few local units, a part goes to the government as ordinary retail sales tax.

When you buy gasoline for your car, you pay taxes to both state and federal governments. In some localities you even pay an additional tax for local purposes.

If your income is taxed by the federal government, it is often taxed by the state also. You must then file two returns and pay two taxes.

If you are a corporation stockholder, you pay several taxes through your corporation.

If you own property, you pay a tax to your local government and, in many states, to your state.

If you buy alcoholic beverages, you pay a tax to the state as well as to the federal government. Local taxes also add to your burden.

If you own mortgage bonds, you may pay a tax on the real estate they represent as well as on the bonds themselves.

When you die, your estate may be subject to death taxes imposed by both state and federal governments.

More than 175,000 taxing jurisdictions levy taxes on their inhabitants. The federal government competes with the states for the same economic resources, the states often compete with each other, the localities with the states and sometimes with other local agencies.

In 1936 four-fifths of federal revenue and 55 per cent of state revenues came from tax bases subject to both federal and state taxes.

These duplications impose burdens on the taxpayer and higher costs of administration upon some of the taxing

units. When combined rates become high, an increase in the rate levied by one jurisdiction makes increases in the rates by other jurisdictions more difficult, and conflict arises.

The Committee on Taxation of the Twentieth Century Fund and its research staff have studied this problem with the following question foremost in mind: How much can the tax system be coordinated without sacrificing local responsibility?

Our system of government is founded upon the principle of local self-government. The rights and privileges of state and local government would exist in name only if they were not guaranteed independent financial power.

The only major method that has been adopted to coördinate federal and state tax measures is the tax-crediting device, whereby the federal government allows the taxpayer to deduct from his federal tax a substantial part of the death tax paid to the estate. The Twentieth Century Fund's research staff suggests extending this device to the gift tax.

The staff also points out that the states might give up the cigarette tax in return for substantial curtailment of the federal tax on gasoline, and that the federal government might share its liquor taxes with states agreeing to give up their own liquor taxes.

The states should reach a closer agreement among themselves on where given incomes arise and what the legal residence of taxpayers is.

State taxes on real estate might be reduced or abolished to make the real estate tax more available to localities. This would decrease the tendency for localities to turn to states for aid.

The Twentieth Century Fund Committee recommends appointment by the President of a non-partisan committee to study the problem of federal, state, and local tax coordination. It should formulate for the three levels of government an expenditure, debt, and tax program that would eliminate as many of the conflicts and other confusions as possible and yet be compatible with a desirable degree of local independence and self-government.

Experiments are being conducted to determine the value of peanut flour. If they turn out as expected, we shall probably see sandwiches made from peanut bread spread with peanut butter.
—"National Grocers Bulletin"

National health survey uncovers illness facts

Approximately 6 million persons are ill and unable to work, to attend school, or pursue other usual activities each day during the winter months, according to an estimate by the United States Public Health Service based on a national health survey covering 740,000 families in urban communities and 36,000 families in selected rural areas. The study shows the frequency and severity of various illnesses in the different age groups and according to economic status. The relation between poverty and sickness is shown by the fact that disabling illness lasting 1 week or longer occurred at a rate of 57 percent higher among families on relief than among families with annual incomes of $3,000 or over. Relief and low-income families not only experience more frequent illness during a year than the higher income groups but longer illnesses on an average.

Insurance digest

Supplemental hazard coverage

Q. What is the additional hazards supplemental contract now known as the extended cover endorsement?

A. It is a contract supplemental to the fire insurance policy. Under this contract the owner of property can include protection against several hazards at a cost much less than that for separate policies covering the individual hazards.

Q. What are the additional hazards that can be covered?

A. In general, the hazards of windstorm, hail, explosion, riot, aircraft, motor vehicles, and smoke or smudge.

Q. Are there any other advantages?

A. Outside of having the protection in one policy, the attachment of the supplemental contract to your present fire insurance policy will relieve you of worry as to the extent of your protection should a material part of your building fall as the result of damage due to one of the hazards mentioned in answer No. 2.

—"Phoenix Insurance Company"

Simple explosion

Julius Lucas, a recognized authority on the standard fire policy, has suggested that the protection against "simple explosion" be made a part of the standard fire policy. He suggests that it is time to broaden the fire policy so that it meets the requirements of the insuring public. "Management Review" quotes from his article as follows:

"It is my very firm opinion that these requirements are not met unless there is incorporated in the policy itself protection against the inherent hazard of the explosion. In my opinion, the removal of lines 59 to 61 (explosion exclusion) of the present policy is not sufficient. There should be incorporated in the insuring clause of the policy language similar to that which is employed in the so-called 'simple explosion' policy.

"I am of the firm opinion that this particular explosion hazard should be incorporated in the policy and can be incorporated without any increase in rates."

Mr. Lucas believes that smudge insurance should also be incorporated in the standard fire policy, since it is a type of damage that is closely allied with the fire and explosion hazard.—"The Insurance Broker-Age."

Consumption habits now being studied

The Bureau of Labor Statistics is bringing to a conclusion two major studies of consumption, a study of the money disbursements of wage earners and lower-salaried clerical workers in 55 cities, begun in the fall of 1934, for the purpose of revising and extending its indexes of the cost of goods purchased by this group, and an investigation of broader scope, undertaken in the winter of 1935-36, covering the consumer purchases of families of all income and occupational groups in 32 cities. The subject matter covered by the two studies is identical, but the groups covered and the methods of sampling and of analysis are different.

Figures on the incomes of native white families including husband and wife show that among those not having been on relief at any time during the year covered by the schedule, the median income varies from approximately $1,200 in Gastonia, N. C., to slightly over $2,000 in New York City. Median incomes for the Negro families including husband and wife and not having received relief at any time during the year vary from $460 in Albany, Ga., to $1,350 in New York City.

Regional differences in textile wages

During the 10 years from 1925 to 1934, the spread between cotton workers' earnings in the North and the South had been generally decreasing. This trend was reversed after 1935. By July, 1937, northern cotton mills were reporting the payment of an average of 50.0 cents an hour, as compared with an average of 39.7 cents reported by southern mills. Such a regional difference, although smaller than in the decade prior to 1933, was definitely larger than any which had prevailed during the operation of the cotton-textile code under the National Recovery Administration.

Seven ratios

The use of ratios in the interpretation of the balance sheet was discussed by the Hartford Chapter of the National Association of Cost Accountants in a recent issue of "Connecticut Industry."

In recent years, there has been a growing interest in the use of the analysis and interpretation of balance sheets. The use of ratios in analyzing statements is not new. The current ratio has long been familiar, but the development of many of the other ratios is comparatively recent. The use of ratios requires little additional work, and is of value not only in making comparisons of several successive balance sheets, but between several firms or with an average for a group of companies engaged in the same line of business.

An intelligent use of financial ratios, however, can only be made if their limitations as well as their value are thoroughly understood. Their accuracy is dependent upon proper accounting methods implying an understanding of the true meaning of each of the accounts appearing on the balance sheet. Ratios should not be used alone, and are not meant to replace other methods used in interpreting a balance sheet. Some of the more common ratios in use are:

Quick ratios—derived by dividing cash plus receivables, plus short term investments, by current liabilities. This ratio is often termed the acid test and indicates the immediate ability of the company to satisfy current liabilities. A ratio of one hundred per cent is usually considered favorable.

Current ratio—derived by dividing current assets by current liabilities. This ratio is considered one of the highest importance as it indicates the current strength of the company and the amount of working capital. It is used together with the quick ratio by bankers and credit men in determining credit strength. What constitutes a satisfactory current ratio varies, dependent on the nature of the business, but a 2 to 1 ratio is generally accepted as a favorable showing. It is important here to note that a satisfactory current ratio may on analysis disclose other ratios that are unsatisfactory.

Worth-debt ratio—derived by dividing net worth by the total indebtedness. This ratio, like the current ratio, indicates credit strength but not so much from the point of view of liquidity. It shows the source of funds in the business and whether the creditors or owners control the business.

Worth-fixed ratio—derived by dividing net worth by investment in fixed and other non-current assets. Indicates whether the capitalization is ample to take care of plant equity and other non-current assets and to provide something for working capital.

Sales-inventory ratio — derived by dividing cost of sales by inventory. This indicates the rate of inventory turnover, and efficiency of inventory control. For any line of business, there is a normal period required for the fabrication of finished goods and the carrying of excessive inventories whether in the form of raw material, work in process, or finished goods, not only adds an extra financial burden on the company by tying up working capital, but increases the possibility of loss through changing styles or obsolescence.

Sales-receivables ratio—derived from the receivables and the average daily credit sales. This calculation gives a rough estimate of the number of days' sales that are outstanding and by comparison with the credit terms on which sales are made will reflect the efficiency of the collection department and test the currentness of the receivables.

Sales to fixed assets ratio—derived by dividing the net sales by the fixed assets. Indicates the earning capacity of the plant investments. A comparison of this ratio in successive balance sheets of the same company gives some measure of efficiency of the productivity of the plant.

The easiest way of losing a customer is to allow him to become delinquent over an extended period of time.—Professor Theodore N. Beckman, Ohio State University.

The merchant who can avoid bad debts and costs connected with slow accounts can benefit through greater profit or lower prices and greater sales.—Professor Albert F. Chapin, New York University.

Court decisions

COSMETICS — CONSTITUTIONALITY OF A MAINE STATUTE PROVIDING FOR THE REGISTRATION OF COSMETICS. Bourjois, Inc. v. Clyde R. Chapman, et al, United States Supreme Court, April 26, 1937.

Bourjois, Inc., a New York corporation, brought suit in the Federal Court in Maine seeking to enjoin the enforcement of Chapter 109 of the Public Laws of Maine, 1935, which provides for the registration of cosmetics as a condition to the sale thereof within the State of Maine, and the use thereof in beauty and barber shops, etc. The Supreme Court affirmed the decision of the lower court dismissing the plaintiff's complaint.

The plaintiff manufactures cosmetics in New York, has no place of business in Maine, and does not hold, use or sell cosmetics within that State. Among its many customers are some whose purchases are made in part on orders given in Maine to travelling salesmen of the plaintiff. But no order so given is binding until approved by the plaintiff in New York. All shipments to Maine customers are made from New York and the sales of the cosmetics in Maine are not made in the original packages, that is, the large containers in which the cosmetics are shipped from New York. The plaintiff claimed that the statute violated the commerce clause, but the court said that by its terms, the statute is limited in operation to intrastate commerce and does not attempt to prohibit or regulate the introduction of cosmetics into the state. It is not directed to manufacturers. It applies only to persons who deal in cosmetics within the state. The state does not demand that the application for registration be made by the manufacturer. Any person interested may make the application. As some cosmetics may injure the health of the users, the state may prohibit the sale in intrastate commerce of a preparation unless it has been found to be harmless. The fact that plaintiff's products are made in New York, does not confer immunity from such regulation in Maine.

The plaintiff contended that its interstate commerce was directly burdened because the registration in Maine involved payment of a fee, and that the state had failed to show that the fee charged, of $.50 per preparation, was not in excess of the cost of inspection. But the court held that the charges were not unreasonable on their face, and the presumption would be that if the receipts averaged more than enough to pay the expenses of administering the act, the legislature would moderate the charge.

The plaintiff further contended that the statute violated the rights protected by the Fourteenth Amendment and the Constitution of the State of Maine, because the power conferred upon the Board to grant or deny a certificate is unlimited, and the Board has issued no regulations and no hearing is provided for an applicant. But the court pointed out that by Sec. 2 of the Act, the department was authorized to regulate or to refuse the issuance of certificates or to prohibit the sale of cosmetic preparations which, in its judgment, contained injurious substances, and that this delegation of the power to exercise such judgment was not obnoxious to the Constitution of Maine and did not contravene any provision of the Federal Constitution. The court also stated that neither constitution requires that the exercise of such a power be preceded by the adoption of regulations or that there must be a hearing of the applicant before the Board may exercise its judgment. The requirements of due process of law are amply safeguarded by the Section of the statute which provides that an appeal shall lie from the refusal of the department to issue a certificate to the superior court of the State.

Burial cooperatives

Although the first known cooperative burial association was started as early as 1915, cooperative activity in this line is found in only the five States of Illinois, Iowa, Minnesota, Nebraska, and South Dakota. As a large membership is necessary in this type of association, the present tendency is toward larger and larger units. The newest associations are those serving a number of local cooperative store associations throughout a whole district—representing a combined membership of 5,500-6,000 persons.

NEWS ABOUT CREDIT MATTERS

A Section Devoted to Association Affairs

Forms Close on 20th of Month Before Issue

JUNE, 1938

Save on Losses With Interchange

N.A.C.M. Has Big Year on Law Work

As the time for the beginning of the San Francisco Credit Congress approaches, the Association is rounding out one of its most active years of legislative work. The year was marked by passage of the Chandler Bankruptcy Modernization Bill (H. R. 8046) by the House of Representatives and by continued concentration on efforts to have the bill passed by the Senate; by the inauguration of a nationwide campaign for better state laws to protect material men on state public works projects; by continued efforts to bring about changes in the Federal Tax Law which would be beneficial to credit conditions and by revival of the Association's opposition to the practice of clearing checks at less than par which has increased recently in the Northwest, Central and Southeastern parts of the country.

As this is written, a favorable report on the Chandler Bill by the Senate Judiciary Committee is expected momentarily. In view of the uncertainty regarding adjournment and the fact that a number of amendments to the bill were recently introduced on the floor of the Senate, it is impossible to foresee whether time will permit enactment of the bill before adjournment.

Representatives of your association, members of the National Bankruptcy Conference and others interested in the bill are working continuously for passage of the bill which would represent one of the most important legislative accomplishments of the Association history.

The efforts which are being made to obtain better state laws protecting suppliers of material on state public works projects bore their first fruit recently when the New York Legislature passed the Moffet-Pitcher Bill. Bills fashioned after the model state law which has been developed by the Association were

(*Continued on page* 41)

Quaker Bowlers Victors

Philadelphia. — Again this year seven of the teams in District No. 2 had a Bowling Tournament, each association enrolling on a particular night within a certain period.

Philadelphia again won the plaque and the scores are as follows:

Philadelphia	2,932
Rochester	2,923
Buffalo	2,842
New York	2,672
Binghamton	2,648
Syracuse	2,509
Utica	2,337

The names of the men on the Philadelphia team, as shown on the picture, are: James A. Guest, Federal Reserve Bank; H. J. Dornheim, Strawbridge and Clothier; Edward Hewson, Federal Reserve Bank; Clyde Martinson, Ninth Bank & Trust Company; John McKnitt, Corn Exchange National Bank; A. W. Sande, John Lucas & Co., and Hugh R. Carlon, Sherwin-Williams Co.

John Abernethy Resigns; Goes With Richmond Rubber

Richmond.—John Abernethy, for many years secretary-manager of the Richmond Association of Credit Men, has resigned to accept a position with the Richmond Rubber Company where he will handle credit and other financial matters connected with that organization. Mr. Abernethy will be associated with E. R. Patterson, president of the Richmond Rubber Company and the past-president of the Richmond Association of Credit Men.

J. Norman Gibson has been selected by the Board of Directors of the Richmond Association to succeed Mr. Abernethy. Mr. Gibson assumed his new duties on May 16th. For the past seven years he has been credit manager for James McGraw, Inc., and for four years prior to that time he was office manager of the Fulton Brick Works.

Those who were fortunate enough to attend the National Convention held in Richmond in June, 1936, will remember John Abernethy and E. R. Patterson, who was president of the Association at that time, as excellent hosts. Many N.A.C.M. members who knew both of these men will be glad to know of their business association.

April Brings Largest Gain of 12 Months

Louisville in Class A, Minneapolis in Class B, Atlanta in Class C, Syracuse in Class D, San Antonio in Class E, are the winners in the 1938 membership contest.

Even in face of rather abnormal business conditions, the membership campaign for the year just closed showed a considerable improvement over that of 1937. As usual, the number of new members reported during April, the last month of the membership year, was the largest of the entire year and in this one month showed almost one-half of the net gain for the year. It is interesting to note that forty-one Associations increased their membership during April and fourteen showed a decrease.

The race between Louisville and St. Louis for the Class A honors was exceptionally keen this year as Sam Schneider and Orville Livingston were engaged in a hot combat for these honors. St. Louis moved up from Class B to Class A last year and continued its good work with a net gain of 46 for the year and a percentage for the year of 108.89. However, Sam Schneider's "Flying-Squadron" came to bat with a total of 26 net gain in the last month putting Louisville on top by a margin of about four points. San Francisco, the host city for the Credit Congress this year, came to the front in the last month of the membership race with a net gain of 18 and a gain of 49 for the year, making a good showing for third place at 106.87%

The race in Class B between Minneapolis and Indianapolis was close down to the last day, Minneapolis winning out with a net gain of 11 new members in April as against 6 for Indianapolis, giving the Minnesota city the cup by a margin of a little bit over 2 points after the books had been closed and the percentages had been figured.

One of the most interesting races in the whole campaign this year was in Class C where Atlanta nosed out Cincinnati by a margin of less than 4 points. However, the showing made by Cincinnati, with a total gain of 17 members in April and 72 members in the year—the second highest total gain of any Association in the organization, gave the Ohio city a percentage of 137.5. However, Atlanta's membership campaign, with a total advance of 54 for the year, gave the Georgia city a percentage of 141.22.

Another interesting contest was staged in Class D where Tampa with a net gain of 25 for the year put it out in the lead over Syracuse which had shown a gain of 42 for the year. Fort Wayne and El Paso also battled bravely in this contest with Albany also reporting a gain of 14 for the year.

San Antonio won out over Nashville with a percentage of 196.96 as against 189.13. Nashville reported 31 new members for April with a total of 41 for the year.

St Paul Votes By Mail On New Officers

Saint Paul.—The Nominating Committee, under the chairmanship of G. G. Stifter, followed the rather unusual proceedings of sending a questionnaire to every member of the Saint Paul Association of Credit Men asking the members to indicate their choice for president, vice president, and five directors. While this was in the way of an informal ballot, the Committee used this method as a guide in making out the slate to be presented to the members at the annual election which was held on May 10th.

Is Champion Golfer in 17 Months

New Orleans.—Mrs. Ed. Pilsbury, Jr., won the championship of the Colonial Country Club here recently defeating her opponent 7 and 6, in the final 36 hole match. Mrs. Pilsbury, Jr. took up golf only 17 months ago but shows that she is quite a golfer by turning in cards of 43-45 for the morning round and a 42 for the first nine holes in the afternoon session. She is the wife of the son of Mr. and Mrs. Ed. Pilsbury, former national president of N. A. C. M.

How Friendly Adjustment Settled $11,000,000 in Claims Without a Loss

San Francisco, host city to this year's Credit Congress, is the home city of an insurance company that celebrated its diamond jubilee in May. This fact of itself is interesting, but to credit men the real story back of this celebration is the fact that one of the largest Adjustment Cases in commercial history saved this company from extinction, brought a full payment to every creditor and established the principle in the tradition of commerce that friendly cooperation between creditors of a company facing an unusual circumstance will bring results which no other method can boast.

Fireman's Fund Insurance Company of San Francisco today boasts assets of some $40,000,000, but the story of its survival after the memorable holocaust of April 1906, is the chapter in its history of interest to credit men, for this part of the history tells how this company came to be the only insurance company to survive the destruction of its home city.

Between the first terrifying earth shock in the early morning of April 18, 1906, and the last fading wisp of smoke on the cool, rainy night of April 21, Fireman's Fund risks to the value of $11,300,000 had been devoured by hungry flames that laid waste 3,000 acres of San Francisco's business district. More than 8,600 San Franciscans turned to Fireman's Fund to replace their homes and places of business.

Fireman's Fund itself was burned out. Its records were just as inflammable as though they were not dealing with indemnities for fire losses.

Credit men well know how dependent business is on its records and accounts. However, the complete loss of reports, records and memoranda was only one of the morning-after headaches suffered by the company.

How to pay losses amounting to $11,300,000 from total assets of only $7,200,000 was the chief problem. A final and successful plan was worked out after a few disappointing starts.

The plan, which was offered by J. B. Levisori—then second vice-president and now chairman of the board of Fireman's Fund and affiliated companies—was based upon three essentials: (1) claimants to accept fifty per cent of their claims in cash and fifty per cent in stock; (2) collection from the shareholders of an assessment to provide capital to continue the company in business; and (3) the collection from reinsurers for the benefit of claimants.

The assessment on the stockholders brought practically unanimous response. Within a short time claimants representing nearly ten million dollars accepted the offer for a settlement of fifty per cent in cash and fifty per cent in stock.

A total of 8,603 claims amounting to about $11,300,000 were settled without a single lawsuit, in spite of the fact that every company record was destroyed in the fire. The company officially resumed operations within 12 months after the big fire. The policy claimants received 56½% of their claims in cash while the shares of stock have paid out well for those in a position to hold them for a short span.

The National Association of Credit Men played an important part in the adjustment of many policy claims after the San Francisco fire. It did not, however, enter into the picture in Fireman's Fund case as the satisfactory plan as mentioned above was worked out by the officers and stockholders with their claimants direct with the excellent results mentioned.

"Flying Squadron" Is Effective at Louisville

Louisville.—The Louisville Credit Men's Association adopted the plan of using a "Flying Squadron" in its campaign for new members. This "Flying Squadron" under the leadership of Chairman Edwards was responsible for a total of thirty new members during the month of April. This resulted in the Association closing the fiscal year with 659 members and 365 Interchange subscribers. This was a net gain of 75 members for the year and brought the membership trophy to the local association for the second successive year and the seventh time in thirteen years that the Louisville Association has been awarded the first place cup in the N. A. C. M. contest.

2 Are Given Certificates At Syracuse

Syracuse.—David A. Weir, Assistant Executive Manager of the National Association of Credit Men, was the speaker at the May dinner meeting of the Syracuse Association of Credit Men, held at the Onondaga Hotel. Mr. Weir presented some very interesting thoughts on present day economics under the subject "The Uncertain Credit C."

The Annual Class Dinner of the Syracuse Chapter, National Institute of Credit, was held on April 21st with Carl H. Hendrickson, Jr., Director of Education of the National Association of Credit Men, as speaker. The Senior Certificate of Fellow in the N. I. C. was awarded to Walter Kunze for completion of the junior and senior courses of the National Institute. A Certificate of Associate in N. I. C. was presented to Russell F. Coonley who had completed the junior course.

Paint Men Are Told of Credit Education

New York.—David E. Golieb, treasurer of the International Handkerchief Manufacturing Company, and chairman of the Board of Governors of the New York Chapter of the National Institute of Credit, was the honored guest and speaker at a well attended meeting of the Paint & Allied Group on April 26th, 1938, held at the Building Trades Employers Association, No. 2 Park Avenue, New York City, N. Y.

Mr. Golieb traced the progress made by credit men and women in the development of credit education and constructive credit cooperation in the handling of credit matters.

Dean Named New Head at Kansas City

Kansas City.—J. G. Dean, of the Graybar Electric Co., was elected president of the Kansas City Association of Credit Men, at the annual election on May 19th. R. W. Jackson, of Loose-Wiles Biscuit Co., was named first vice president, and J. H. Moses, of Rothenberg & Schloss Cigar Co., second vice president, and I. C. Smith, secretary-treasurer.

Officers Are Elected by Associations

Some of the new officers elected by N.A.C.M. affiliated Associations during May are:

Buffalo. — President, Willard H. Williams, Francis H. Leggett & Co.; first vice president, Irwin H. Raunick, Fairmont Creamery Co.; second vice president, Don A. Lingel, Sun Oil Co.

Milwaukee. — President, Fred H. Zens, Standard Oil Company; vice president, Geo. J. Christiansen, Hummel & Downing Co.; treasurer, A. L. Kohlmetz, Patek Brothers, Inc.

St. Paul. — President, Frank J. Heran, Armour & Co.; vice president, S. C. Brennom, Paper, Calmenson Co.

Dayton. — President, J. J. Braham, Inland Mfg. Co.; first vice president, J. N. Riggs, Dayton Pump & Mfg. Co.; H. C. Heider, The Standard Register Co.; treasurer, I. H. Jones, The Winters National Bank & Trust Co.

Rochester. — President, Herbert Bradshaw, Bausch & Lomb Optical Co.; first vice president, E. J. Connor, Defender Photo Supply Co.; second vice president, F. F. Johnston, S. C. Wells & Co.; treasurer, Walter H. Lapham, Weed & Co.

Sioux Falls.—President, Howard B. Holmes, John Deere Plow Co.; vice president, Oliver A. Bray, NW. Security National Bank; secretary, Edward L. Hebner, Sioux Falls Paint & Glass Co.; treasurer, Mrs. F. S. Markham, Tri-State Electric.

Legislative Activities

(*Continued from page 39*)

also introduced in a few other states but the main drive will be commenced later in the year in preparation for the large number of sessions of state legislatures which will convene next January.

Credit Career

There are many individuals whose unselfish efforts are worth while even though they do not receive proper recognition and little or no applause. Such a one is Edwin J. Keefe, who does his duty as he sees it — and a little bit more — and makes no fuss about it.

The Tampa Association of Credit Men is justly proud of the man who has been its president for the last eleven years and has given unstintedly of his time and talents in the service of his fellow members. Mr. Keefe, because of his knowledge of, and experience in, important business affairs, together with the fact that he is highly esteemed by the entire membership and the wholesalers of the city generally, has added to the prestige of the Association and contributed in no small degree to the enviable reputation which the Tampa Association of Credit Men enjoys in this locality.

Edwin J. Keefe was born in Jacksonville, Florida, in 1882. When he was about fifteen, he went to work for R. G. Dun & Company, at the Jacksonville office, and continued with them ntil he left Jacksonville to come to Tampa in 1903. In that year he entered the employ of Snow & Bryan Wholesale Grocery Company as Credit Man, gradually working his way up until he became general manager. In 1927 he purchased the entire interests of Snow & Bryan and continued the business as Bryan-Keefe & Company. He was always active in Association matters and a booster for Credit Interchange. In 1921 he was elected a director of the Association and has continued to serve as director and president up to this time.

He is also president of the Southwest Florida Wholesale Grocers' Association, an organization composed of all wholesale grocers of the entire Tampa trading area.

Mr. Keefe does not, however, confine his activities to business organizations and has been for the past eight years a member of the County School Board for Hillsborough County. Five years of that time he served as Chairman of the Board, and has just last week been re-elected for another term of four years. He is the "business man" of the Board. The fact that he won over his two opponents by a majority of 900 is evidence of the fact that the people of this County appreciate the highest type of business experience and ability.

Mr. Keefe is a 32 degree Scottish Rite Mason, a member of the Justers, a past Potentate of Egypt Temple Shrine; he is also actively interested in any movement for the betterment of civic conditions.

It is due largely to Mr. Keefe's efforts that Tampa won the Class D membership campaign this year. He gave freely of his time and efforts and, when he called on a prospect he usually "brought home the bacon."

Mrs. Fraser Honored by N. Y. Women

At a dinner held in the Pompeian Room of the Hotel Shelton, the entire present slate of officers, headed by Marion E. King, of Hudnut Sales Co., was unanimously re-elected by the New York Credit Women's Group.

Because the New York Women has valued the loyal and affectionate encouragement and friendship of Mrs. Martha Fraser, ever since its inception, it took occasion to bestow on Mrs. Fraser, who is wife of William Fraser, Treasurer of J. P. Stevens & Co., Inc., and past president of both the New York and the National Association of Credit Men, a scroll, making her first honorary life member of the Group. Mrs. Fraser will likewise be recipient of the first Group pin, which was not ready in time for presentation with the scroll.

Mr. Henry H. Heimann, Executive Secretary of the National Association of Credit Men, Speaker of the evening, chose as his subject "Looking Forward." Mr. Heimann gave his audience of about one hundred and twenty-five, a picture of the effects of government interference in business and expressed the view that until we make a real effort to balance the national budget, we cannot expect a real recovery. After his address Mr. Heimann graciously held a quiz period in which he answered several interesting questions put to him.

May Party at Cleveland's Election

Cleveland.—The Annual Dinner Meeting and May Party of the Cleveland Association of Credit Men was held at Hotel Cleveland on May 11th. A short business meeting, during which the annual election was held, was the order of business after dinner at 6:30.

Trade Groups Fix Tables

Los Angeles.—The Annual Trade Group Night of the Los Angeles Credit Men's Association was held at the Wilshire Bowl on Monday, May 23rd.

The feature of this dinner meeting was the decoration of tables by the various Trade Groups so as to reflect the types of business that each group represented.

Mary Desmond Heads Buffalo Women's Group

Buffalo. — Miss Mary Desmond, Trico Products Corporation, Buffalo, was elected president, Miss Rae Morris, Markel Electric Products Company, Inc., was elected vice president, and Miss Cecelia Butler, Dunlop Tire and Rubber Company, was named secretary, and Miss Lillian Russow, National Lead Company, treasurer, of the Women's Group of the Credit Association of Western New York at its annual election. The Women's Group has just closed a successful series of monthly meetings at which the average attendance has been close to the full roster of membership.

Two Prexies Are Speakers At Rochester

Rochester.—Wednesday, May 11th, was the red letter day in the history of the Rochester Association of Credit Men. On the evening of that day the local association was host to the members of the Retail Credit Men's Association and had as its guests of honor, Paul Fielden, president of the National Association of Credit Men, and J. Gordon Ross, president of the National Retail Credit Men's Association, and all of the past presidents of the Rochester Association.

This event drew one of the largest attendance records in the history of the local association and will long be remembered as the grand wind-up of a successful year by the Rochester credit men. This was the last dinner meeting of the year for the local association.

Withington Is New President At Philadelphia

Philadelphia.—At the annual business meeting of the Credit Men's Association of Eastern Pennsylvania, Philadelphia, Pa., held Thursday, April 28th, the following officers and directors were elected: president—Ralph D. Withington, of the Philadelphia National Bank; vice president—Wm. A. Bruckheiser, Thomas M. Royal & Company; directors — Harry Wilkinson, John B. Stetson Company; Wm. Stockton, Atlantic Refining Company and C. L. Kressler, Certain-teed Products Corporation.

F. L. Lozes Is Honored By New Orleans

New Orleans.—F. L. Lozes, manager of the collection department of the New Orleans Credit Men's Association, celebrated his thirtieth anniversary with the organization on May 6th, 1938.

He was the recipient of a very handsome onyx base desk set, and was tended a dinner by the Directors of the Association at "Maylies." President Brister presiding turned over to Mr. Lozes a check voted him by the Board of Directors in appreciation of his years of loyalty and conscientious service.

ZEBRAFFAIRS

One of the big events at the Credit Congress will be grand round-up of the Royal Order of Zebras, which will be held on Wednesday evening, June 8th, at which time election of National officers will take place, affairs of the Herds throughout the country will be discussed, and the balance of the evening given over to entertainment, which I am assured will be typically Western in character.

We Zebras of San Francisco urge all our Brother Members to attend this Convention. If you have never visited the City by the Golden Gate, the opportunity is here now for you to come and enjoy the hospitality of San Francisco and fraternize with the Fellow Zebras from all parts of the Country.

Let us show you what a cosmopolitan city San Francisco is. Visit with us a Chinatown which is Oriental in every respect, wander to Fishermen's Wharf where the blue and white boats of the Italian fishermen are moored. Watch them cook great cauldrons of shellfish at their sidewalk stands, enjoy eating a dish of crab chioppino—something I have never found anywhere else—you will come back for more.

Cross great bridges which span San Francisco Bay and the Golden Gate—surely the eighth wonder of the World. See where they are creating the Exposition to be held in 1939. Come with us to the quietness and dignity of old Mission Dolores, the seat of Civilization in this great Western Land of ours.

See the Japanese section, enjoy one of their meals where it is customary for one to remove his shoes before seating oneself on the floor to be served at low lacquer tables by a daughter from the land of cherry blossoms. You will find the time all too short for your visit, and scenes that will linger long in your memory.

The gates of the corral are open, and the San Francisco Herd of the Royal Order of Zebras extend to you a cordial invitation to join us by the Golden Gate in '38.

Zebraically yours,
HERB FLETCHER
Superzeb, San Francisco Herd
Royal Order of Zebras

By the Golden Gate in 1938

Herb Fletcher, Superzeb, San Francisco Herd of Zebras, which plays an important part in entertainment of delegates to Credit Congress of N. A. C. M.

The Los Angeles Herd is contemplating the use of the famous Town House in Los Angeles as general quarters. The new Wedgewood Restaurant in this famous hostelry has just opened a new cocktail room which is called the Zebra Room. The decoration in this room was designed by Wayne D. McAllister, a young man with many triumphs including the famous Biltmore Coffee Shop. The Zebra murals in this room were designed by A. B. Heinsbergen.

Chicago.—The Chicago Herd, Royal Order of Zebras, held its annual party early in May.

During the past two months the Chicago Zebras have been cooperating with the Association Membership Service Committee and has taken on the new activity of sponsoring new Association members so as to acquaint these new members with other members of the Association and to help them to become familiar with the activities of the Chicago Association.

Officers of the Chicago Herd for the year 1937-38 are as follows: Super-Zeb, Oscar Iber, O. Iber Company; Most Noble Ass of Asses, L. T. Hadley, Goodman Manufacturing Company; Three Horse Power Burro, W. T. Siddall, Brown & Sharpe Company; Royal Jackass, Oscar Bott, Yeomans Brothers Company; Keepers of the Zoo, L. H. Bachner, Chicago Molded Products Corporation, and S. L. Cribari, Marquette Cement Mfg. Company; Custodian, A. H. Sherbahn, The Boye Needle Company; Zebratary, J. F. O'Keefe, The Chicago Association of Credit Men.

E. J. Payton Running for State Senate

South Bend. — E. J. Payton, secretary-manager of the South Bend Association of Credit Men, received two honors early in May. First he was elected president of the South Bend Rotary Club, an organization of large influence in South Bend and the entire St. Joseph Valley, and in the Spring primaries, Mr. Payton received the highest vote which gave him the nomination for a place on the Democratic ticket as a candidate for State Senator from St. Joseph County.

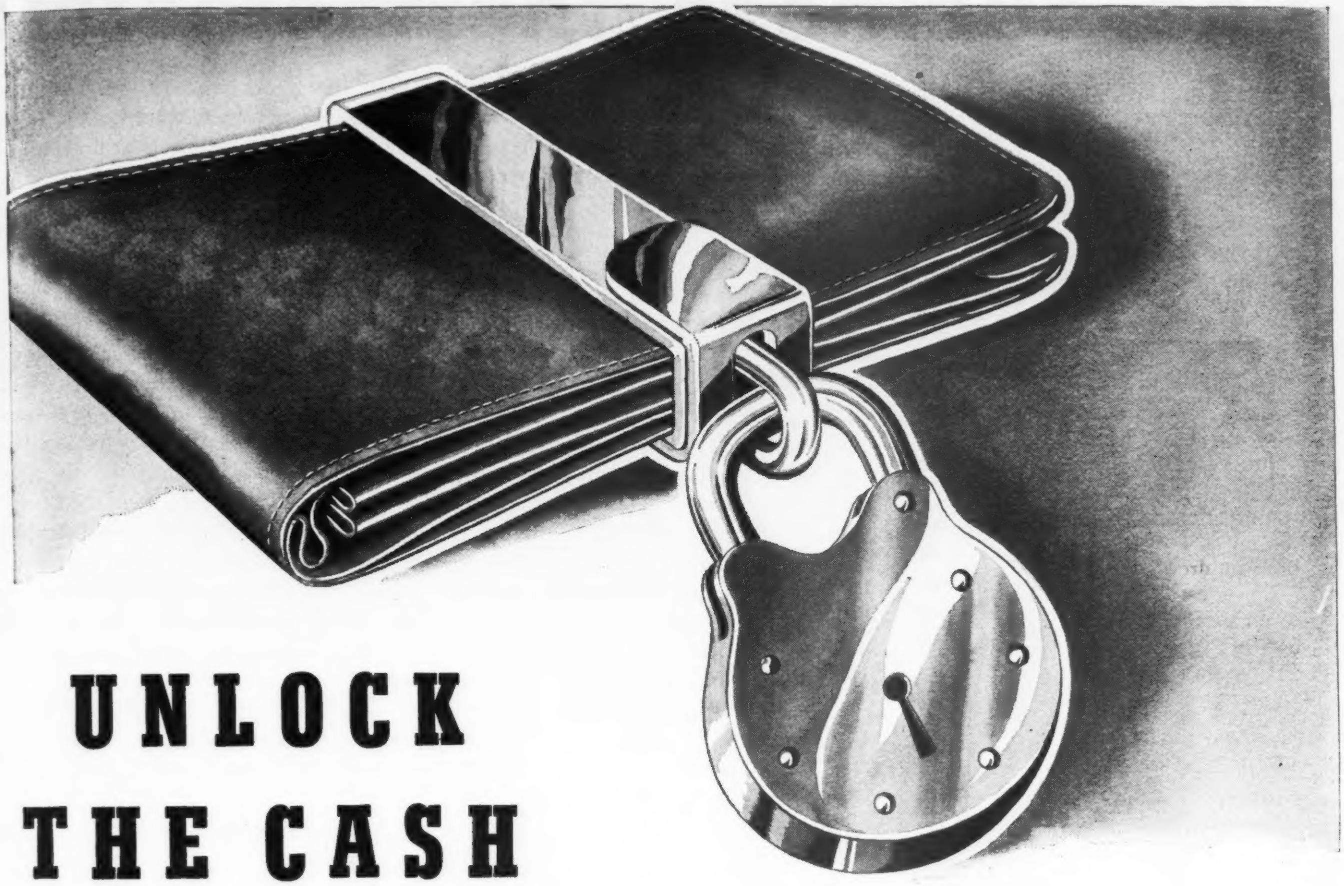
Dan Cauley Is New Secretary At Toledo, O.

Toledo.—George Cole, for the past seventeen years secretary-manager of the Toledo Association, has resigned, and Dan Cauley, for several years connected with the Cleveland Association and more recently doing special promotional work in Cincinnati, has been employed as Mr. Cole's successor. Mr. Cauley assumed his new duties on May 16th. Mr. Cole, it is understood, has made a connection with a business house. His many friends in the Association will wish him success in his new connection.

Pennsylvania Oil Men Met on April 24th

Philadelphia. — The Second Annual Conference of the petroleum refiners and marketers credit groups of Eastern and Western Pennsylvania was held at the Penn-Harris Hotel in Harrisburg, Penna., on Sunday, April 24th, Monday, April 25th, and Tuesday, April 26th.

The Conference started with a get-together dinner on Sunday evening at which E. P. Atcherley, of the Shell Union Oil Corporation, Elizabeth, N. J., acted as toastmaster. Both morning and afternoon sessions were held on Monday and Tuesday. Subjects discussed at the sessions were "What's Going on and Some of the Answers", "Counselling with Customers in their Operating and Financial Problems", "The Itinerant Credit Manager", "Working Tools of the Credit Manager", "Merchandising and Credit."



UNLOCK THE CASH

YOUR BUSINESS NEEDS

Learn How Many Concerns Now Keep Cash Resources High and Credit Risks Low.

YOU have unused assets in your business that can provide you with immediate liquid capital at low cost and with absolute safeguards against undue credit risks.

Our open account financing plan includes the Limited Loss clause which insures you against all credit loss beyond a small agreed percentage. It involves no "all-or-none" contract. You can discount part, or all of your receivables with us, according to your cash needs. You surrender no part of your business control . . . take in no salaried partner . . . face no maturing loans from time to time, nor the necessity to arrange new ones. Ours is a self-continuing, or immediately terminable plan, at your option. Yet it costs, as a rule, less than the cash discounts you allow your customers.

It will put your business on a cash basis without infringing on your control or inconveniencing your customers. In no case will your customers be notified of the change in your financing. In no way will their method of paying you be disturbed.

You can use your receivables on demand, to strengthen your cash position, improve your credit rating, discount your obligations to suppliers, meet payrolls, pay taxes, and in other profitable ways to promote your business welfare.

Experience has proved that our service gives a flexible, convenient type of financing to meet today's highly competitive conditions.

★

COMMERCIAL CREDIT COMPANY

Capital and Surplus Over $64,000,000

BALTIMORE

NEW YORK CHICAGO PORTLAND, ORE. SAN FRANCISCO

"Capital At Work"

On request we will mail you, without obligation, this concise booklet explaining our service. . . Simply tear this off and mail it, attached to your letterhead.

The business thermometer:

Manufacturers:

Manufacturers' sales during April 1938 declined 29 per cent from last April according to reports from about 1,000 manufacturers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce. This decrease equalled the 29 per cent decline recorded in January from last year, and exceeded the declines of 22 and 23 per cent registered in February and March respectively.

Total net sales of manufacturers during April decreased 9 per cent from March 1938 without adjustment for seasonal variation. This compares with a decrease of 2 per cent from March to April in 1937.

Every major industry group for which sales data are shown, except the Printing, Publishing, and Allied Industries Group, whose sales increased 9½ per cent, registered a decrease in sales during April 1938 from April of last year.

The smallest decline was registered by the Petroleum Products Industry, whose sales were down 4 per cent on this comparison. Other decreases ranged down to the drop of 58 per cent recorded by the Iron and Steel Products Group.

Collections during April amounted to 74 per cent of total accounts receivable outstanding on April 1, 1938. The comparable ratio was 82 per cent for April 1937, and 74 per cent for March 1938. The decrease in the collection ratio from last year was well distributed throughout the major industry groups separately shown. All groups showed decreases except the Printing, Publishing, and Allied Industries Group, which increased from 53 per cent last April to 60 per cent this year, and the Rubber Products Industry which showed no change.

The total volume of accounts receivable outstanding on April 1, 1938 was 22 per cent smaller than on the same date last year, and 4 per cent larger than on March 1, 1938.

Every major industry group for which credit data are shown recorded a smaller volume of accounts receivable than last year. The largest declines, 45 and 47 per cent, were registered by the Motor-Vehicle Parts and Iron and Steel Products Industry Groups.

Detailed figures are presented in the following table.

Wholesalers:

The dollar volume of wholesale trade declined 18½ per cent during April as compared with April 1937 according to reports from almost 1900 wholesalers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce. This was the largest decrease in sales from the same month of the previous year which has been recorded during the period of decline which began last October.

Total net sales of wholesalers in April decreased 5 per cent from March without adjustment for seasonal variation.

The rate of collections on accounts receivable outstanding also declined from last April. Collections during April 1938 amounted to 69 per cent of

MANUFACTURERS' sales and collections on accounts receivable, April 1938

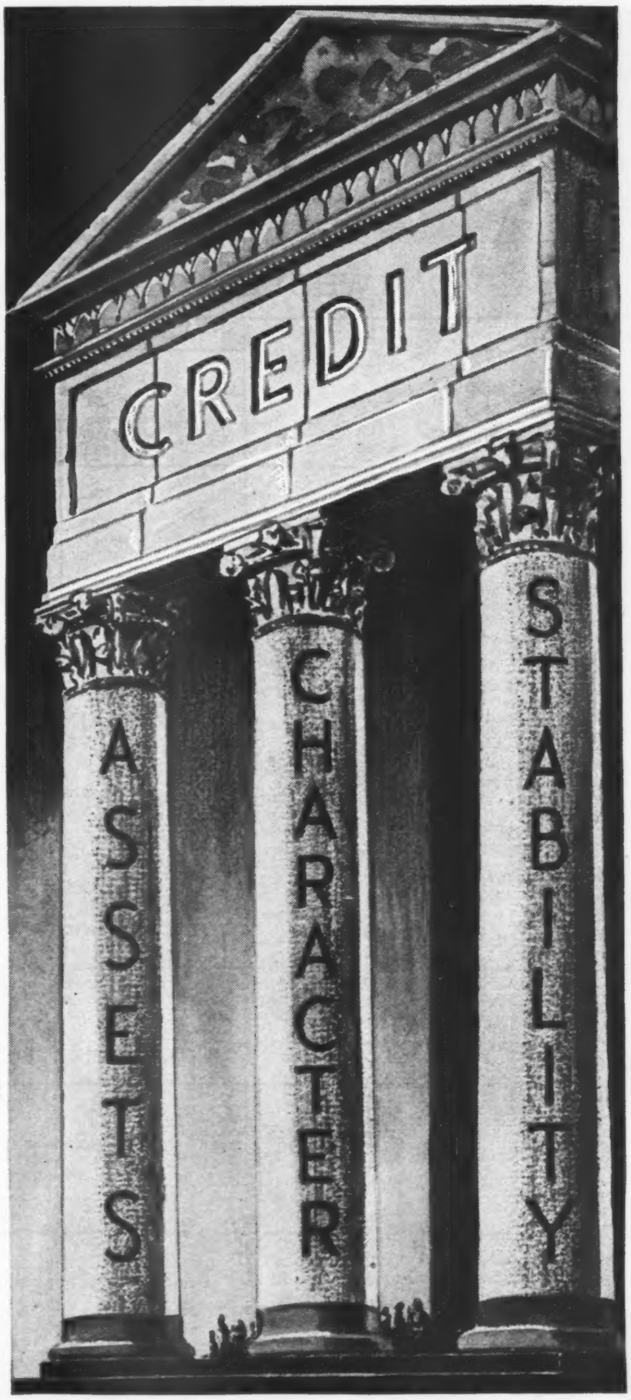
Industry	Dollar Sales: Number of firms reporting sales	Percent change April 1938 from: Apr. 1937	Percent change April 1938 from: Mar. 1938	April 1938 (000's)	Number of firms reporting credit data	Collection Percentages*: Apr. 1938	Apr. 1937	Mar. 1938	Total Accounts Receivable: Percent change Apr. 1, 1938 from: April 1 1937	Mar. 1, 1938	As of Apr. 1, 1938 (000's)
Food and kindred products, total	387	—23.4	—15.8	$38,640	100	111	118	121	—20.4	+ 1.8	$19,131
Confectionery**	285	—15.2	—16.8	16,440	9	129	145	150	— 1.9	— 6.2	1,110
Flour, cereals and other grain mill products	12	—21.1	—15.9	4,285	11	128	148	138	— 8.3	— 4.8	977
Meat packing	11	—21.1	— 8.2	3,165	9	185	187	182	—21.5	— 1.5	1,020
Wine	22	—36.3	—26.1	371	16	43	51	46	+ 1.6	+ 4.2	895
Other food products	57	—31.6	—15.8	14,379	55	108	113	118	—23.1	+ 3.0	15,129
Textiles and their products, total	68	—34.0	—24.3	9,73[illegible]	64	55	61	62	—20.0	+ 6.0	19,251
Clothing, men's, except hats	16	—40.5	—35.1	1,715	15	39	46	43	—12.2	— 2.1	5,398
Clothing, women's, except millinery	14	— 8.2	—22.0	1,105	14	64	72	63	— 7.4	+ 7.3	2,118
Knit goods	9	—16.2	+ 5.6	1,820	9	71	74	73	—12.0	+14.5	2,352
Other textile products	29	—40.0	—28.0	5,093	26	58	64	71	—27.6	+ 8.8	9,383
Forest products, total	40	—35.6	— 8.3	2,199	38	61	68	62	—30.6	+ 2.4	3,248
Furniture	22	—34.2	—12.3	1,364	22	58	61	61	—32.3	+ 0.1	2,350
Lumber, timber, and other miscellaneous forest products	18	—37.7	— 1.1	835	16	68	86	65	—25.6	+ 8.8	898
Paper and allied products, total	70	—26.7	—10.1	10,803	59	72	76	73	—12.3	— 0.2	15,046
Paper, writing, book, etc.	14	—16.1	—10.3	4,226	11	98	98	101	— 7.6	+ 2.2	4,248
Paper, boxes and other paper products	35	—31.6	—10.2	5,299	31	100	98	105	—27.3	+ 1.5	5,036
Wall paper	21	—34.7	— 9.5	1,278	17	29	31	26	+ 2.5	— 3.1	5,762
Printing, publishing and allied industries	7	+ 9.5	+ 6.4	413	7	60	53	55	— 1.9	+ 3.4	632
Chemicals and allied products, total	50	—21.0	+ 1.4	13,739	46	76	90	78	— 7.8	+ 7.6	15,653
Paints and varnishes	19	—23.3	+ 9.6	1,752	19	49	54	41	—15.4	+17.1	4,123
Pharmaceuticals and proprietary medicines	15	—13.4	— 5.0	1,410	14	72	79	75	—10.0	— 6.0	1,737
Other chemical products	16	—21.5	+ 1.0	10,577	13	87	109	93	— 3.7	+ 6.7	9,793
Petroleum products	16	— 4.3	+ 0.8	46,063	13	100	104	101	— 3.4	+ 2.5	25,671
Rubber products	8	—32.1	— 4.4	1,997	8	50	50	47	—28.5	+ 2.0	4,331
Leather and its products, total	53	—20.0	—16.9	15,526	48	54	57	42	—13.2	— 0.4	32,845
Boots and shoes	22	— 8.6	—17.3	12,594	20	50	52	37	— 9.4	+ 0.5	28,898
Stone, clay and glass products	29	—30.2	— 3.6	6,630	27	80	82	81	—16.4	+15.8	7,764
Iron and steel and their products, total	70	—57.6	— 8.5	21,298	65	88	105	90	—47.2	+ 9.0	24,779
Hardware	12	—47.3	— 9.0	1,959	11	78	82	73	—39.5	— 4.4	2,496
Stoves, ranges and steam heating apparatus	13	—41.3	+ 6.3	2,159	13	76	64	70	—44.2	— 4.3	2,141
Other iron and steel products	45	—59.9	—10.1	17,180	41	91	112	94	—48.3	+12.7	20,142
Non-ferrous metals and their products	35	—44.0	— 5.2	5,395	32	57	78	56	—25.5	+ 2.8	9,906
Machinery, not including transportation equipment, total	139	—32.7	— 7.8	20,859	119	59	63	61	—22.0	+ 2.1	27,354
Electrical machinery, apparatus and supplies	83	—28.8	— 2.5	13,152	73	59	62	60	—21.6	+ 1.9	18,108
Other machinery, apparatus and supplies	56	—38.6	—15.6	7,707	46	58	65	62	—22.9	+ 2.4	9,246
Motor-vehicle parts	32	—51.5	— 0.3	3,551	26	81	88	81	—45.4	+ 9.4	3,695
Miscellaneous industries	38	—20.9	— 6.1	4,350	33	66	70	69	—13.6	+15.8	5,664
Total	1,042	—29.3	— 8.6	201,196	685	74	82	74	—22.1	+ 4.0	214,970

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.
**These data are taken from the monthly report on sales of confectionery and competitive chocolate products prepared by the Foodstuffs Division of the Bureau of Foreign and Domestic Commerce.

PROTECTION OF ASSETS

ESSENTIAL TO

CREDIT STRENGTH



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accounts receivable outstanding on the first of the month. The corresponding ratio was 73 per cent for last April and 69 per cent for March 1938.

The total volume of accounts receivable outstanding on April 1, 1938, was 11 per cent smaller than on the same date last year. Compared with March, outstandings on the first day of April increased 4 per cent.

The cost value of stocks on hand at the end of April was 12 per cent smaller than at the end of April 1937, according to reports from over 1100 wholesalers reporting these data. The value of stocks declined about 3 per cent from the end of March.

April sales in every trade for which data are separately shown were under last April except the Tobacco Trade which was at the same level as last year. Several groups reported moderate declines from last year. Among these were distributors of Leather and Shoe Findings, whose sales declined 3 per cent, wholesalers of Meats and Meat Products down 5 per cent, and distributors of Clothing, Petroleum and Drugs with losses of 7 per cent, 8 per cent and 9 per cent, respectively. Decreases in the other lines ranged down to the decline of 38 per cent in sales of Jewelry wholesalers.

Sales declines from last April were recorded for all regions. The smallest relative declines were registered by the West North Central and West South Central Regions with decreases of 13 and 15 per cent respectively. The New England Region registered the sharpest drop in sales with a decline of 24 per cent.

Detailed figures are presented in the following tables.

WHOLESALERS' sales and inventories, April 1938

Kind of Business	Dollar Sales				End of Month Inventories (Cost)				Stock-Sales Ratios♯		
	Number of firms reporting sales	Percent change Apr. 1938 from		April 1938 (000's)	Number of firms reporting stocks	Percent change Apr. 1938 from		Apr. 30, 1938 (000's)	April 1938	April 1937	Mar. 1938
		Apr. 1937	Mar. 1938			April 1937	Mar. 1938				
Automotive supplies	99	−10.7	+ 9.2	1,825	40	− 4.7	+ 0.4	2,154	320	266	334
Clothing and furnishings	17	− 7.3	−20.3	1,262	7	+ 0.1	− 0.3	681	642	548	322
Shoes and other footwear	35	−20.7	−16.1	10,746	22	−24.6	−15.5	6,177	116	126	114
Drugs and drug sundries**	139	− 9.2	− 8.9	19,860	102	− 8.1	− 1.3	33,720	227	222	207
Dry goods	91	−23.0	−15.5	8,291	60	−24.3	− 1.4	23,961	370	392	315
Electrical goods	299	−31.3	+ 3.7	16,407	248	−12.7	− 2.9	20,215	145	113	154
Farm products (consumer goods)	18	−12.0	− 9.0	1,610	11	+ 8.4	−14.1	528	57	48	61
Furniture and house furnishings	33	−24.4	− 0.9	2,663	14	−16.6	− 2.6	4,275	243	224	250
Groceries and foods, except farm products	378	−13.4	− 6.1	36,399	189	− 6.1	− 5.1	39,673	169	157	170
Meats and meat products	15	− 4.7	+19.4	8,926	10	−18.2	+ 2.0	704	81	75	73
Total hardware group	430	−25.9	− 2.3	27,349	278	−12.0	− 0.7	59,155	312	262	304
General hardware	162	−20.6	− 2.6	18,353	98	−14.0	− 0.8	41,757	326	302	319
Heavy hardware	25	−34.6	− 4.7	1,198	19	+ 0.3	− 2.0	3,332	309	196	295
Industrial supplies*	136	−35.7	− 5.5	4,622	86	− 4.4	+ 0.5	9,996	303	195	279
Plumbing and heating supplies	107	−33.4	+ 5.9	3,176	75	−17.0	− 0.9	4,070	228	198	246
Jewelry and optical goods	47	−38.1	− 3.6	1,007	22	− 3.0	− 4.1	2,753	577	305	519
Leather and shoe findings	11	− 3.3	+ 3.6	231	3	−12.6	− 5.8	97	359	411	381
Lumber and building materials	18	−29.0	− 2.7	1,087	14	− 6.1	+ 2.3	1,530	198	147	197
Machinery, equipment and supplies, except electrical	21	−27.0	− 4.7	1,706	11	+12.4	− 0.4	3,650	354	214	312
Metals	8	−26.1	− 4.9	371	4	+23.0	+ 3.7	534	349	206	337
Paints and varnishes	6	−21.2	+10.3	1,546	—	—	—	—	—	—	—
Paper and its products	53	−23.0	− 5.1	3,379	21	−12.7	+ 0.2	2,610	193	168	178
Petroleum	6	− 8.3	− 4.9	4,449	1	−34.3	−30.8	213	42	51	43
Surgical equipment and supplies	33	−11.7	− 6.6	511	18	− 6.4	+ 1.3	721	205	214	192
Tobacco and its products	88	+ 0.1	+ 1.6	8,730	32	−24.2	+ 5.0	3,152	63	84	62
Miscellaneous	27	−27.4	−21.9	2,656	13	− 0.1	−15.9	5,730	262	183	235
Total	1,872	−18.5	− 4.7	161,011	1,120	−11.9	− 2.9	212,233	214	194	206

*This heading also includes distributors of mill, mine and steam supplies.
♯These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.
**Total Sales, including liquors, wines, etc.

WHOLESALERS' accounts receivable and collections, April 1938

Kind of Business	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		Apr. 1938	Apr. 1937	Mar. 1938	Percent change Apr. 1, 1938 from		As of Apr. 1, 1938
					Apr. 1, 1937	Mar. 1, 1938	
Automotive supplies	67	54	61	52	− 5.0	+ 4.3	$1,899
Clothing and furnishings	17	47	51	46	+ 6.0	+ 9.9	2,721
Shoes and other footwear	30	48	46	40	− 6.9	+18.3	12,529
Drugs and drug sundries	121	72	76	77	− 0.6	+ 1.5	23,913
Dry goods	85	45	46	44	−19.0	+ 2.2	19,547
Electrical goods	275	71	84	71	−18.1	+ 0.5	19,810
Farm products (consumer goods)	15	130	143	141	− 0.4	− 1.2	962
Furniture and house furnishings	30	52	56	55	−21.2	+ 9.2	4,258
Groceries and foods, except farm products	277	98	104	101	− 5.8	+ 0.3	30,177
Meats and meat products	13	200	196	175	− 5.3	+ 1.1	4,415
Total hardware group	391	51	58	49	−15.2	+ 5.6	45,941
General hardware	144	49	53	46	−10.2	+ 5.8	32,107
Heavy hardware	24	64	68	62	−33.8	+12.0	1,783
Industrial supplies**	120	56	66	57	−25.3	+ 3.8	6,703
Plumbing and heating supplies	103	53	64	51	−20.3	+ 4.5	5,348
Jewelry and optical goods	36	19	25	19	− 6.3	+ 1.4	2,696
Leather and shoe findings	10	42	47	40	− 9.3	− 1.9	264
Lumber and building materials	17	63	69	66	−14.9	+16.4	1,495
Machinery, equipment and supplies, except electrical	19	51	62	49	− 5.6	− 1.5	2,921
Metals	7	78	80	81	−28.0	+16.8	444
Paints and varnishes	6	61	69	61	−15.1	+ 6.8	2,152
Paper and its products	42	62	61	59	−18.4	+ 1.7	4,508
Petroleum	4	88	98	93	+ 1.0	+ 6.9	3,091
Surgical equipment and supplies	29	47	48	48	− 2.9	− 0.4	923
Tobacco and its products	56	122	132	128	+ 7.8	+ 5.1	4,907
Miscellaneous	23	63	75	65	−11.7	+14.0	4,414
Total	1,570	69	73	69	−11.0	+ 4.0	193,927

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.
**This heading also includes distributors of mill, mine and steam supplies.

WHOLESALERS' sales and inventories, by geographic regions, April 1938

Kind of Business and Region	Dollar Sales: Number of firms reporting sales	Dollar Sales: Percent change Apr. 1938 from Apr. 1937	Dollar Sales: Percent change Apr. 1938 from Mar. 1938	Dollar Sales: April 1938 (000's)	End of Month Inventories (Cost): Number of firms reporting stocks	End of Month Inventories (Cost): Percent change Apr. 1938 from Apr. 1937	End of Month Inventories (Cost): Percent change Apr. 1938 from Mar. 1938	End of Month Inventories (Cost): Apr. 30, 1938 (000's)	Stock-Sales Ratios‡: Apr. 1938	Stock-Sales Ratios‡: Apr. 1937	Stock-Sales Ratios‡: Mar. 1938
New England	105	—23.8	+ 2.0	$4,864	60	— 9.7	— 0.5	4,951	219	154	206
Electrical goods	31	—37.1	+ 8.5	1,080	26	—14.8	— 2.6	1,566	150	110	168
Groceries and foods, except farm products	12	— 6.3	— 3.3	565	—	—	—	—	—	—	—
Heavy hardware	5	—34.0	+ 9.4	70	5	— 4.5	— 0.3	338	483	334	530
Industrial supplies*	15	—33.7	+10.5	273	9	+26.8	+ 6.8	630	333	195	378
Plumbing and heating supplies	10	—29.4	+ 8.5	254	6	—18.0	— 0.3	575	280	240	364
Tobacco and its products	5	— 3.5	+ 2.1	584	—	—	—	—	—	—	—
Middle Atlantic	411	—18.1	— 3.9	35,763	236	—12.9	— 3.3	35,495	168	—	—
Automotive supplies	8	— 9.3	+ 6.9	108	—	—	—	—	—	—	—
Clothing and furnishings, except shoes	4	— 4.0	—15.5	995	—	—	—	—	—	—	—
Shoes and other footwear	10	+ 9.6	—15.2	832	6	—19.9	— 9.7	1,142	173	238	175
Drugs and drug sundries	24	— 7.1	— 5.6	4,365	18	— 8.0	— 1.9	5,004	169	166	162
Dry goods	18	—40.4	—21.9	1,028	12	—16.3	+ 2.5	2,164	347	305	293
Electrical goods	66	—33.3	+ 0.8	3,341	57	—24.0	— 3.9	4,142	131	114	138
Farm products (consumer goods)	5	—10.6	—12.8	489	—	—	—	—	—	—	—
Groceries and foods, except farm products	62	—14.4	— 9.5	7,994	22	— 0.1	— 8.8	8,920	171	144	173
Meats and meat products	4	—15.4	+17.7	3,275	—	—	—	—	—	—	—
General hardware	32	—13.0	+ 3.6	2,162	15	—14.5	— 2.4	3,401	325	311	331
Heavy hardware	10	—22.6	+ 2.0	414	7	— 2.7	— 3.0	944	262	208	270
Industrial supplies*	41	—37.4	— 8.3	1,089	26	—14.1	+ 0.6	2,116	277	188	239
Plumbing and heating supplies	42	—34.2	+ 2.1	1,085	33	—21.1	— 2.8	1,499	217	191	223
Jewelry and optical goods	19	—48.6	+ 0.7	417	10	— 3.6	— 1.6	1,810	670	308	617
Lumber and building materials	6	—33.8	—14.3	192	—	—	—	—	—	—	—
Paper and its products	18	—25.6	— 9.6	1,209	6	—19.7	— 2.3	993	142	126	130
Surgical equipment and supplies	6	—12.0	+ 5.8	73	—	—	—	—	—	—	—
Tobacco and its products	20	+ 1.8	+ 2.2	4,431	8	—26.5	+ 7.6	2,595	64	89	62
East North Central	348	—22.9	— 2.0	27,219	209	—14.7	— 2.8	36,640	225	194	225
Automotive supplies	27	—18.2	+ 3.5	417	17	— 3.9	+ 0.9	694	340	264	349
Clothing and furnishings, except shoes	4	—22.1	—43.1	116	—	—	—	—	—	—	—
Drugs and drug sundries	24	—17.3	— 8.3	2,984	15	— 8.0	— 3.4	3,980	192	169	182
Dry goods	10	—23.3	— 4.7	912	8	—21.6	— 6.2	2,214	258	255	267
Electrical goods	55	—31.3	+ 3.8	4,119	40	—16.2	— 2.2	3,730	143	111	143
Groceries and foods, except farm products	79	—16.5	— 4.8	7,281	42	— 9.3	— 3.2	6,790	168	159	168
General hardware	20	—25.7	+ 1.8	4,137	17	—22.6	— 2.2	11,973	317	301	327
Industrial supplies*	28	—47.5	— 2.6	1,021	19	— 7.7	— 0.4	2,913	355	200	347
Plumbing and heating supplies	9	—33.0	+ 0.7	307	4	0.0	— 4.1	139	207	176	264
Jewelry and optical goods	16	—40.4	—14.3	276	7	— 5.0	— 8.9	605	500	300	418
Metals	4	—18.0	— 7.4	250	—	—	—	—	—	—	—
Leather and shoe findings	4	—22.2	+ 7.7	56	—	—	—	—	—	—	—
Paper and its products	14	—26.3	— 4.8	1,335	6	—16.8	— 2.2	455	208	181	200
Tobacco and its products	30	+ 0.6	+ 2.7	1,831	11	—13.7	— 7.9	234	51	54	57
West North Central	225	—13.1	— 5.4	28,631	145	—17.4	— 5.8	45,494	228	228	215
Automotive supplies	11	— 4.8	+21.1	316	—	—	—	—	—	—	—
Clothing and furnishings, except shoes	7	—17.6	—30.3	122	—	—	—	—	—	—	—
Shoes and other footwear	6	—24.2	—18.0	3,478	4	—21.4	—17.7	2,975	94	87	95
Drugs and drug sundries	15	—10.2	— 9.9	2,105	14	— 8.4	— 0.7	4,124	228	223	207
Dry goods	9	—19.0	—20.7	2,656	8	—24.1	— 1.3	12,529	483	516	387
Electrical goods	31	—19.4	+ 7.7	1,736	27	—14.1	— 2.3	1,819	121	116	132
Furniture and house furnishings	8	—16.3	+ 8.4	1,425	5	—19.2	— 4.7	2,373	240	248	273
Groceries and foods, except farm products	48	—10.9	— 4.0	4,918	30	—15.3	— 8.9	6,431	161	169	171
General hardware	14	— 9.0	— 5.8	3,117	13	—14.9	+ 0.8	8,989	299	319	280
Heavy hardware	5	—11.5	— 6.1	77	—	—	—	—	—	—	—
Industrial supplies*	15	—18.2	+ 7.2	505	8	— 7.7	— 3.8	763	222	207	257
Plumbing and heating supplies	13	—20.4	+ 1.3	309	7	—14.5	— 3.1	596	341	289	349
Jewelry and optical goods	5	—28.4	—12.8	68	4	+ 1.4	— 1.4	218	507	384	451
Surgical equipment and supplies	6	—14.7	— 9.4	58	—	—	—	—	—	—	—
Tobacco and its products	8	— 8.6	— 2.2	307	4	—20.3	— 5.5	137	78	84	81
South Atlantic	251	—17.8	— 5.6	14,421	144	—10.0	— 3.1	16,366	201	176	192
Shoes and other footwear	5	—10.0	—24.7	1,142	4	—35.7	—20.0	1,153	104	145	97
Drugs and drug sundries	23	— 5.8	—14.9	1,862	15	+ 1.4	+ 0.1	3,513	258	243	213
Dry goods	13	—23.8	— 7.2	784	6	—23.9	— 5.5	1,230	350	376	351
Electrical goods	42	—33.8	+ 8.2	1,922	36	— 8.8	— 4.5	2,473	144	106	167
Furniture and house furnishings	4	—31.7	+ 2.5	205	—	—	—	—	—	—	—
Groceries and foods, except farm products	63	—18.4	— 8.3	2,972	25	—14.0	— 3.9	2,162	153	142	147
General hardware	30	—26.0	— 8.0	1,641	15	— 0.9	+ 0.5	3,097	371	268	328
Industrial supplies*	13	—29.7	+ 1.7	244	9	— 7.1	+ 0.5	598	266	214	274
Plumbing and heating supplies	21	—16.5	+18.0	670	18	—11.8	+ 4.5	924	195	171	218
Paper and its products	6	— 4.4	+ 5.5	324	—	—	—	—	—	—	—
Surgical equipment and supplies	5	—25.7	—19.1	55	—	—	—	—	—	—	—
Tobacco and its products	11	— 0.4	— 2.3	762	4	+ 2.7	— 6.2	75	66	63	81
East South Central	113	—21.8	—10.8	7,906	65	—16.0	— 1.3	10,333	220	206	202
Drugs and drug sundries	15	—15.0	—13.2	1,125	9	— 8.8	— 0.9	2,056	239	220	208
Dry goods	13	—19.6	—15.5	1,008	7	—36.7	— 1.9	2,052	261	332	224
Electrical goods	8	—31.3	0.0	351	8	+ 2.9	+ 4.0	490	140	93	134
Groceries and foods, except farm products	41	—20.8	— 9.0	2,586	21	—11.4	— 2.5	2,141	177	157	168
General hardware	16	—25.9	—10.3	1,809	9	— 3.0	— 2.0	2,521	287	238	274
Industrial supplies*	5	—32.4	— 9.4	144	—	—	—	—	—	—	—
West South Central	147	—14.9	— 9.0	12,457	102	— 2.9	— 0.8	22,812	246	213	224
Drugs and drug sundries	17	— 1.2	— 9.7	1,998	14	+ 6.9	— 1.5	4,891	275	255	251
Dry goods	12	—13.5	—21.1	940	11	—24.9	+ 1.5	2,568	301	353	233
Electrical goods	21	—26.6	— 4.7	1,008	15	— 8.0	— 3.8	1,119	131	105	129
Furniture and house furnishings	4	—12.9	—17.9	271	—	—	—	—	—	—	—
Groceries and foods, except farm products	39	—13.8	— 4.1	4,254	28	— 8.3	— 3.4	5,301	173	162	175
General hardware	21	—11.6	— 7.4	1,866	13	— 4.0	0.0	3,366	301	281	281
Industrial supplies*	6	—30.6	—16.5	1,060	5	+ 3.7	+ 2.1	2,384	320	190	244
Machinery, equipment and supplies, except electrical	5	—32.7	—26.6	391	—	—	—	—	—	—	—
Surgical equipment and supplies	5	—15.9	— 9.4	58	—	—	—	—	—	—	—
Tobacco and its products	6	+10.3	+ 6.1	225	—	—	—	—	—	—	—
Mountain	61	—15.8	— 2.8	4,980	38	— 4.7	— 1.6	6,969	212	187	207
Automotive supplies	5	—20.0	+ 2.1	48	—	—	—	—	—	—	—
Electrical goods	12	—41.4	— 4.9	444	9	+ 1.3	+ 1.3	628	153	87	144
Groceries and foods, except farm products	9	+ 8.6	— 1.2	1,506	6	+ 2.0	— 2.0	2,210	199	234	199
General hardware	9	—20.8	+ 6.1	829	6	— 9.3	— 0.4	1,336	319	280	329
Pacific	210	—18.6	— 2.2	20,700	122	— 6.1	— 0.8	33,173	237	206	230
Automotive supplies	40	— 8.6	+ 9.5	750	16	— 0.1	+ 1.5	1,116	302	263	318
Shoes and other footwear	5	+13.4	— 5.3	161	4	— 9.0	— 3.7	366	235	312	233
Drugs and drug sundries	10	— 8.6	— 7.4	4,001	8	—17.7	— 0.2	7,955	263	291	239
Dry goods	12	—20.3	+ 0.4	860	6	—17.9	+ 0.2	1,039	292	261	265
Electrical goods	33	—30.3	+ 5.3	2,406	30	— 0.7	— 2.9	4,248	187	130	205
Farm products (consumer goods)	5	— 6.7	— 7.1	658	4	+15.4	—16.4	412	64	52	71
Furniture and house furnishings	8	—30.8	— 6.3	429	—	—	—	—	—	—	—
Groceries and foods, except farm products	25	— 6.4	— 4.4	4,323	14	+ 6.4	— 0.9	5,715	167	148	162
General hardware	17	—27.8	— 1.1	2,679	8	— 9.5	— 0.5	6,828	415	337	412
Industrial supplies*	11	—24.3	+ 9.3	246	8	+ 8.4	— 4.0	363	261	160	305
Plumbing and heating supplies	8	—53.7	+ 6.2	395	4	—19.9	— 2.1	137	217	186	259
Jewelry and optical goods	4	— 7.0	+12.6	107	—	—	—	—	—	—	—
Paper and its products	6	—14.6	—15.1	146	—	—	—	—	—	—	—
Tobacco and its products	7	— 8.2	— 3.5	517	—	—	—	—	—	—	—

*This heading also includes distributors of mill, mine and steam supplies.
‡These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.

WHOLESALERS' accounts receivable and collections, by geographic regions, April 1938

Kind of Business and Region	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		Apr. 1938	Apr. 1937	Mar. 1938	Percent change Apr. 1, 1938 from: Apr. 1, 1937	Percent change Apr. 1, 1938 from: Mar. 1, 1938	As of Apr. 1, 1938 (000's)
New England	87	62	69	63	−17.6	+ 2.0	$5,119
Electrical goods	29	75	76	74	−34.1	− 2.3	1,345
Groceries and foods, except farm products	7	67	71	73	0.0	+ 1.3	609
Heavy hardware	5	48	57	51	−28.2	+ 4.2	125
Industrial supplies**	13	49	61	50	−15.7	+ 5.8	344
Plumbing and heating supplies	9	45	62	42	−18.0	+ 3.7	443
Middle Atlantic	358	74	78	74	−12.2	+ 2.5	40,192
Automotive supplies	6	43	49	44	− 4.6	− 2.0	145
Clothing and furnishings	4	49	53	46	+ 7.3	+ 4.9	1,960
Shoes and other footwear	9	45	45	33	−12.6	+ 9.1	1,734
Drugs and drug sundries	22	63	66	67	− 2.2	+ 1.9	5,814
Dry goods	16	48	51	43	−24.4	− 6.9	2,158
Electrical goods	65	74	84	76	−25.4	+ 3.4	4,258
Farm products (consumer goods)	5	133	139	145	− 1.1	− 1.1	374
Groceries and foods, except farm products	45	97	99	97	− 8.2	− 3.7	6,639
General hardware	27	42	44	38	− 5.1	+12.0	3,637
Heavy hardware	10	68	69	62	−17.9	+ 7.3	573
Industrial supplies**	37	54	66	55	−23.5	+ 8.5	1,813
Plumbing and heating supplies	42	49	61	48	−22.0	+ 5.7	1,989
Jewelry and optical goods	15	20	28	23	−19.4	− 2.3	880
Lumber and building material	5	56	63	57	−14.3	+13.8	281
Paper and its products	12	61	60	63	−22.2	+ 2.7	1,439
Surgical equipment and supplies	6	32	36	34	− 2.5	+ 2.6	198
Tobacco and its products	14	132	148	143	+11.9	+ 8.6	2,840
East North Central	299	67	75	66	−12.1	+ 2.0	34,504
Automotive supplies	24	56	68	52	− 0.2	+ 6.1	469
Clothing and furnishings	4	52	55	50	− 0.6	+25.4	321
Drugs and drug sundries	20	81	93	87	− 4.2	− 0.4	3,098
Dry goods	10	44	46	43	−13.2	+ 4.5	2,013
Electrical goods	49	63	80	62	− 5.4	− 1.2	5,655
Groceries and foods, except farm products	60	92	101	95	− 7.2	+ 1.2	6,590
General hardware	19	52	56	46	−15.8	+ 5.8	7,186
Industrial supplies**	27	64	80	65	−38.8	+ 0.5	1,409
Plumbing and heating supplies	8	58	65	59	−20.2	− 3.2	485
Jewelry and optical goods	14	18	24	17	− 0.3	+ 3.8	1,209
Paper and its products	13	62	59	55	−20.8	+ 2.7	2,051
Tobacco and its products	22	121	124	122	+ 2.4	+ 0.6	1,051
Leather and shoe findings	4	55	61	48	−13.8	− 8.5	119
West North Central	191	69	70	66	− 7.8	+ 9.5	41,842
Automotive supplies	8	52	62	48	+ 3.1	+ 6.0	426
Clothing and furnishings	7	52	38	37	+ 5.6	+26.8	397
Shoes and other footwear	6	49	47	42	− 4.4	+19.7	8,629
Drugs and drug sundries	15	74	79	78	+ 5.1	+ 4.1	2,933
Dry goods	9	49	47	46	−23.8	+ 4.5	6,949
Electrical goods	29	61	95	62	+19.2	+ 7.6	2,296
Furniture and house furnishings	8	52	54	54	−20.0	+12.7	2,166
Groceries and foods, except farm products	35	114	125	116	− 3.1	+ 2.5	3,878
General hardware	14	49	52	46	− 6.3	+ 5.0	6,198
Heavy hardware	5	51	60	52	− 5.6	+14.5	134
Industrial supplies**	11	58	58	56	−25.3	+ 6.8	535
Plumbing and heating supplies	12	49	57	44	− 4.8	+10.4	616
Jewelry and optical goods	4	34	36	32	− 1.7	+ 2.7	116
Surgical equipment and supplies	5	47	47	49	− 4.3	+ 1.1	89
South Atlantic	194	68	73	70	−12.1	+ 2.5	14,794
Drugs and drug sundries	20	87	92	93	+ 1.2	+ 1.3	2,023
Dry goods	10	41	43	40	−17.2	+ 0.1	1,538
Electrical goods	38	84	92	83	−27.7	+ 0.2	1,831
Groceries and foods, except farm products	39	106	113	115	−12.6	+ 1.7	1,604
General hardware	27	45	54	47	− 8.7	+ 1.3	3,302
Industrial supplies**	10	60	67	57	−20.7	− 1.9	361
Plumbing and heating supplies	20	58	59	52	−13.7	+ 3.6	1,019
Paper and its products	4	63	68	57	− 5.9	+ 5.0	336
Surgical equipment and supplies	4	58	54	68	−22.0	+ 8.5	64
Tobacco and its products	6	87	80	85	− 6.4	− 2.6	382
East South Central	90	60	64	63	−16.4	+ 2.2	10,778
Drugs and drug sundries	12	63	63	67	−10.8	+ 3.3	1,586
Dry goods	13	40	44	40	−17.0	+ 2.0	2,541
Electrical goods	7	88	80	89	−41.8	−13.1	312
Groceries and foods, except farm products	28	90	102	97	−11.4	+ 0.2	2,117
General hardware	12	53	55	52	−16.5	+ 2.8	2,521
Industrial supplies**	4	59	60	54	−30.3	− 4.1	260
West South Central	130	63	69	65	− 3.3	+ 1.7	17,484
Drugs and drug sundries	16	73	76	78	+ 7.9	+ 1.6	2,687
Dry goods	12	37	37	38	− 5.3	+ 2.3	2,819
Electrical goods	17	85	104	89	−10.5	+11.5	863
Furniture and house furnishings	4	60	55	68	−14.9	+ 5.5	495
Groceries and foods, except farm products	33	90	97	93	− 7.2	+ 1.3	4,243
General hardware	20	54	59	53	+ 1.7	+ 0.8	2,880
Industrial supplies**	5	51	56	54	−13.1	+ 2.7	1,582
Machinery, equipment and supplies, except electrical	4	28	39	27	+ 5.7	− 7.2	1,188
Surgical equipment and supplies	5	39	38	49	−11.3	+ 2.9	141
Tobacco and its products	4	92	88	96	+15.2	+ 8.2	106
Mountain	52	70	78	74	− 1.7	+11.0	5,018
Electrical goods	12	75	92	77	−22.7	+ 2.1	581
Groceries and foods, except farm products	7	90	98	97	+29.1	+ 6.8	1,250
General hardware	7	44	49	43	− 9.7	+13.9	902
Pacific	160	71	73	73	−14.3	+ 3.1	24,196
Automotive supplies	21	55	58	56	−12.3	+ 4.5	718
Shoes and other footwear	5	39	40	31	− 3.6	+13.2	402
Drugs and drug sundries	7	80	80	85	− 1.7	− 1.6	3,945
Dry goods	11	54	52	57	−22.9	+ 5.9	1,321
Electrical goods	29	73	80	70	−29.0	− 5.7	2,669
Farm products (consumer goods)	5	141	157	146	+ 9.4	− 2.8	384
Furniture and house furnishings	8	54	62	58	−24.3	+ 4.0	777
Groceries and foods, except farm products	23	111	115	115	− 2.3	+ 0.2	3,247
General hardware	15	47	53	46	−13.8	+ 8.8	5,298
Industrial supplies**	11	55	63	56	−24.3	+ 4.6	339
Plumbing and heating supplies	8	63	79	62	−36.2	+ 6.1	555
Paper and its products	5	58	57	59	−10.2	−12.2	238
Tobacco and its products	5	107	120	110	+ 8.8	+ 2.8	334

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.

**This heading also includes distributors of mill, mine and steam supplies.

STATES COMPRISING REGIONS:

New England—(Conn., Me., Mass., N. H., R. I., Vt.)
Middle Atlantic—(N. J., N. Y., Pa.)
East North Central—(Ill., Ind., Mich., Ohio, Wisc.)
West North Central—(Iowa, Kans., Minn., Mo., Nebr., N. Dak., S. Dak.)
South Atlantic—(Del., D. C., Fla., Ga., Md., N. Car., S. Car., Va., W. Va.)
East South Central—(Ala., Ky., Miss., Tenn.)
West South Central—(Ark., La., Okla., Texas)
Mountain—(Ariz., Colo., Idaho, Mont., Nev., N. Mex., Utah, Wyo.)
Pacific—(Cal., Ore., Wash.)